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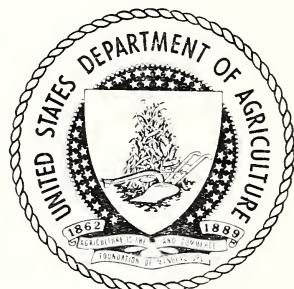
A Program for the 1960's



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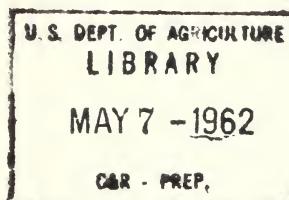
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A Program for the 1960's



UNITED STATES DEPARTMENT OF AGRICULTURE
Washington, D.C. March 1962

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STATEMENT

By **Orville L. Freeman**
Secretary of Agriculture

FOR FARMERS in America, 1961 was the best year in nearly a decade. Yet American agriculture presents a puzzling contradiction—an outstanding success in terms of efficient production and in contribution to economic growth, but a serious problem in terms of farm income and budgetary costs. This riddle must be solved.

Our agricultural productivity depends primarily on the skill and ingenuity of individual family farmers. But Government measures have also played an important role in the history of American agriculture. For many years, Government actions in agriculture were largely of a "technical assistance," or educational nature, to enable farmers to produce more and better products at less cost. In recent years, however, the Government has taken measures to help farmers balance production with demand in an effort to achieve good and stable prices and incomes.

Since the 1920's, agriculture has periodically produced some commodities far in excess of what the market could take at fair prices. To prevent violent price fluctuations and very low incomes, Government programs were devised for certain commodities. Some of these have worked well; others have not. Our task now is to build on the experience of the past to meet the problems of the future.

The programs of the 1930's helped stabilize the farm situation during a period of serious dislocation, while the Nation worked its way to better times. Programs of the 1940's were effective in meeting wartime needs and in stabilizing postwar supplies. An uneven situation developed in the 1950's, however, with some programs working very well, and others failing to cope with our productive capacity. Programs for tobacco, rice, peanuts, and cotton have generally been effective. But programs in the major grain crops have resulted in surpluses and serious carryover problems. These commodity problems are in reality the symptom of a general capacity for overproduction in agriculture. Reductions in the production of one crop have resulted in the excess production of a second crop, as excess productive resources have shifted from one crop to another.

A fresh start has been made in 1961—toward better lives for rural people and toward better farm programs. We approach the challenge

of further improvement with optimism and gratitude. Having not only enough food and fiber—but too much at a given time or place—is less a problem than an opportunity. It is in that spirit that we present . . .

Food and Agriculture: A Program for the 1960's.

Let us consider four major problem areas—all interrelated:

- (1) The problem of underconsumption. Incomes—and diets—are generally good in America. Yet even here we have some inadequate diets in the midst of plenty. And in many parts of the world, tomorrow's hunger is as certain as tomorrow's sunrise.
- (2) The problem of overproduction. We have the capacity to produce far more than can be utilized at home and abroad. This excess capacity to produce is greater in some commodities than in others, but the problem is common to all of agriculture.
- (3) The problem of conservation and resource use. On the one hand, more land is being used to produce food and fiber than is needed. On the other hand, there is a growing demand for recreation, wildlife, and simply open space in and around the cities of our increasingly urban Nation. This may well be *the critical decade* in determining how wisely our land will be used for generations to come.
- (4) The problem of opportunities for farm and rural people. Problems of people on land that does not employ them fully and does not enable them to earn a decent living are closely related to the problems of land use. Opportunities for these people—both in farming and in other work in their communities—can be improved.

It is essential that we act forthrightly to meet these problems; this is not the time for half-hearted measures. Let us survey the problems. Let us consider the alternatives. Let us apply the lessons of 40 years of experience in farm programs to fill in the gaps and to provide a truly comprehensive farm program.

This report summarizes the basic elements of a proposed farm policy that is new in the sense that it is a more comprehensive effort to cope with a general and chronic problem, and is old in the sense that it builds on program methods and tools that have proved their worth in the past. We do not seek novel approaches for their own sake; we seek useful outlets for the productive energy of a vital part of our population, ways to stimulate the development of our resources, and programs that extend the successful supply management tech-

niques of tobacco and cotton to other commodities chronically in trouble. We seek programs that work—that provide jobs for people, uses for land, and that have the capacity to balance production with needs while protecting and supporting a prosperous family farming structure at the same time.

There is an urgent need for continued readjustments in agriculture—not merely for actions to shore up prices and incomes from one year to the next. We need to strike simultaneously at inadequate nutritional levels, at underemployment and low incomes in our farm population, at the inadequate size of many farms, and at the misuse of agricultural resources.

In considering needed adjustments in agriculture, we have four distinct but related goals that warrant our most serious consideration. These are *abundance*—to expand food consumption, both domestic and foreign; *balance*—to adjust the production of commodities now in serious oversupply; *conservation*—to achieve better land use; and *development*—to upgrade economic opportunity for rural people.

This is a humane program. It is practical and workable. Most of all, it is a program that faces facts squarely, and which proposes action based on facts—not on unrealistic hopes.

Fact: The technological revolution in agriculture is real and non reversible. The development laboratories—both private and public—are discovering and creating new techniques and farmers are adopting them. Output is expanding at an unprecedented pace.

Fact: Agriculture has in recent years produced some 6 to 8 percent more than the market would take and will continue to do so—as far ahead as we can see. The domestic demand for food can expand significantly only with population growth. And our production potential is growing much more rapidly than consumption prospects (see fig. 8).

Fact: Agriculture—made up as it is of some 3.7 million individual units—is not able by itself to make desired adjustments to excess supply or reduced demand. Generally lower farm prices do not assure lower total farm output unless the price declines are extreme and sustained. Farmers are linked to the land by a long heritage, not simply by dollars and cents. They often increase their output despite lower prices in a lonely effort to stay in business.

Fact: Large budget expenditures cannot be made indefinitely to acquire stocks of commodities that we do not need. By the beginning of 1961—when new emergency measures were passed to reduce inventories—the Commodity Credit Corporation had over \$9 billion in loans and inventories.

Fact: Farmer income has been at unsatisfactory levels relative to incomes of nonfarm people. Some two million farm families on inadequate sized units have been particularly disadvantaged. But many full-time, commercial farmers have also had low incomes (see table 5).

Fact: The economies of small-town and rural America are dependent upon a prosperous agriculture—an agriculture composed of many thousand efficient family farm units. If rural people are to have equal opportunity with nonfarm people, rural educational and economic opportunities need to be as good on the land as they are in town.

Fact: If agriculture were to be returned to a free market situation, farmers would experience a searing farm depression. In such an event farm prices and incomes would fall to disaster levels and stay there a long time. This is documented in each of four independent studies of the effect of a return to "no program."¹

It is in the public interest to increase farm incomes to levels comparable with other segments of society. It is also in the public interest to reduce the Government cost of supporting farm incomes. This can be done only by reducing the costs of acquiring, storing, and handling billions of dollars' worth of unneeded commodities.

These two important goals—improving income and reducing costs—can be achieved together *only if farm output can be reduced below needs* for several years and then be allowed to increase over the long run at a rate equal to the rate of growth in demand.

It is in the above conceptual setting that we propose a broad new program—a program that moves on four fronts—each equally important and all highly interrelated.

Abundance—one side of the quadrangle—emphasizes food and its uses, both in the affluent society that is America, and in a world which is a long way from satisfying the food needs of its people. It is aimed at expanding domestic and international uses for food and fiber. It is intended to utilize food as an instrument of development and good will—to strengthen friendly economies and to develop export markets.

Another side of the quadrangle is *balance* in the management of abundance—to maintain farm income through the establishment of a reasonable balance between supplies and needs. The overall goal—a food and agriculture program which will strengthen both America and the family farm system—can be reached by common sense and cooperation in managing the abundance which our family farms produce.

¹ Studies by Iowa State University and Cornell University economists, and studies done for the Committee on Agriculture and Forestry of the U.S. Senate and the Joint Economic Committee of Congress.

A third part is directed at *conservation* and the efficient use of land resources. Its goal is to provide adequate food for all, to conserve soil and water, to expand opportunities for recreation, and to insure that land resources are used and improved—not simply set aside and forgotten.

Finally, the Food and Agriculture Program for the 1960's is aimed at *development*—the creation of new opportunities and new incentives for those who gain a living from the land and who depend upon it indirectly, and the improvements in education and training which will enable them to use such opportunities. Enlarged opportunities for our rural people are, in fact, closely allied to the development and utilization of our land resources.

The Food and Agriculture Program for the 1960's would provide maximum flexibility in the operation of individual farm enterprises, and maximum freedom in the choice of occupation by rural people. It would also encourage the gains in farming efficiency and the shifts among enterprises which must not only be allowed but facilitated.

There is a long history of having commodity programs approved democratically by a two-thirds majority in a producer referendum. Producers of cotton, tobacco, rice, peanuts, and wheat have done this for many years. And they have, in nearly all cases, chosen to control the production and marketing of their crops. This democratic procedure can be extended to other farm commodities.

The Food and Agriculture Program for the 1960's is a general approach to basic farm problems. It provides the machinery for steady improvement in farm incomes and in the prospects for rural people generally.

I commend it to the attention of all Americans interested in the national welfare.

FOOD and AGRICULTURE

A Program for the 1960's

PART I

Conservation and Land Use Programs

OUR GREATEST natural resource is the land, the hundreds of millions of acres—three-fourths of them privately owned—on which we find our fields and our forests, our pastures and our parks. Our program for the sixties seeks to encourage the use of the land in ways that best meet the needs of all of our people today, and that will conserve the wealth that lies in this irreplaceable resource to meet the needs of tomorrow.

As we survey today's needs, in terms of the great land resources with which this Nation is endowed, we find a great unmet need for land around our burgeoning cities, to which city dwellers can go for outdoor recreation and to enjoy the beauties of nature, for lakes and ponds and streams for fishing, for wildlife habitat, for open spaces and wilderness areas that will be required in increasing amounts as our population increases.

On the other hand, we now have more land than we need being cultivated to produce such crops as wheat and feed grains, and our studies show that we have millions of acres under cultivation now that will not be needed to produce agricultural products we can use, even two decades ahead. It is a real challenge, and a dramatic opportunity, to develop programs to encourage the adjustment of the use of such acres for purposes for which they are most needed—to encourage the farmers who own much of this land to change from crops that are not needed and to develop the production of services and facilities for which there is a real need. In this whole field of land use, study and research combined with imagination and initiative can result in programs that, at one and the same time, promote better farm income and help to meet the needs of our growing population for hunting and fishing and outdoor recreation.

Our potential for agricultural production is likely to outrun prospective demand for farm products over the next 10 or 20 years, even with augmented food aid programs at home and abroad. By 1980

Table 1. *Needed shifts in major land uses, 1959-80*

Land use	Used in 1959	To be shifted to other use	To be added from other uses	Net change	Projected use in 1980
Cropland-----	458	68	17	-51	407
Grassland pasture and range-----	633	30	49	+19	652
Forest land ¹ -----	746	32	27	-5	741
Recreational-----	62	0	23	+23	85
Farmsteads and farm roads-----	10	0	0	0	10
Special purpose uses-----	85	0	25	+25	110
Miscellaneous other land ² -----	277	11	0	-11	266
Total-----	2, 271	141	141	0	2, 271

¹ Commercial and noncommercial forest land exclusive of 27 million acres of forest land limited primarily to recreation or wildlife use in 1959 and 34 million acres in 1980. Combined forest land acreage is 773 million acres in 1959 and 775 million acres in 1980 or a net overall gain of 2 million acres.

² Urban, roads, military reservations, water supply reservoirs, etc.

we will need an estimated 51 million acres less cropland than the 458 million acres we had in 1959 (table 1). If exports are not expanded, this reduction in cropland needed would be somewhat larger.¹

The opportunity to shift unneeded cropland to recreation, to wilderness areas, and open green space—all important in meeting the outdoor needs of an urban people rich in the traditions of a rural history—is especially dramatic.

The Nation's private lands hold a major potential for wildlife conservation and production for hunting and fishing and for many other forms of recreation. Already, more than 85 percent of our hunting land is privately owned, and most of our game is produced on farms and ranches. The tremendous opportunity for community recreational development in and around the small lakes and ponds being developed in watershed projects under Public Law 566 is just becoming apparent.

¹ It is estimated that by 1980 there will need to be in actual crop use—in crops harvested, plus an allowance for normal crop failure, plus land fallowed—317 million acres, or 41 million less than the acres actually so used in 1959. Taking into account the expected addition of new cropland, and the potential return to crops of land in the conservation reserve, new uses will need to be found for well over 50 million acres over the period from 1959 to 1980. These uses will include permanent and rotation pasture, trees, ponds, recreational lands, and reserved open space around cities.

The Federal Government has long cooperated with State governments and private individuals in resource development, particularly in providing financial assistance to stimulate planning at State and local levels. River basin development, as well as planning for parks, campgrounds, and recreation sites, has followed this pattern.

The Department of Agriculture has a major responsibility for cooperative programs with the States and their local subdivisions, and with owners and operators, to conserve, develop, and manage soil, water, grass, forest, and wildlife habitat of private lands. In addition, it administers a multiple-purpose resource management program on 186 million acres of national forests and national grasslands.

The need now is to redouble our efforts, to review our present practices, and to act on our opportunities. The needed shifts in land uses by 1980 as estimated by the Department's Land and Water Policy Committee are shown in table 1. Whether or not these can be achieved depends on the time we start, and on the progress we make.

Three broad types of pilot land-use adjustment programs are proposed—each requiring some amendments to present legislation in addition to expanded use of present authority.

One would encourage land and water use adjustments for recreational and wildlife purposes. One would encourage a shift of cropland to permanent or long-term grass cover; another would promote tree planting on cropland.

Developing Recreation and Wildlife

Programs of the Department—watershed programs, Agricultural Conservation Program, forestry, acreage diversion, and others—have contributed substantially to recreation and wildlife development in the past.

The proposed programs would provide for cost-sharing with local agencies to acquire and develop recreational facilities around reservoirs, and for easements, cost-sharing, and loans to local organizations for development of selected flood plains, watercourses, and other areas for wildlife, game, and recreation uses. And it would authorize loans and technical assistance to groups and individuals in the development of hunting, fishing, and other recreational facilities.

This would generate employment and income in rural areas. It would also support the established and well-regarded watershed program of the Department of Agriculture, providing a nucleus of open spaces for public uses. Watershed projects provide an ideal base for this kind of activity.

Watershed projects are developed by local organizations. The Secretary is authorized to provide technical, financial, and credit

assistance in varying amounts for different purposes. The Soil Conservation Service administers the program and provides technical and financial assistance. The Forest Service has responsibilities for fire protection and woodland improvement. The Farmers Home Administration administers the loan provision of the Act. The Agricultural Conservation Program provides a related conservation practice cost-sharing program.

Most watershed projects are jointly sponsored by a soil conservation district and one or more other organizations, such as watershed districts, drainage districts, counties, or municipalities.

So far, most of them have been planned primarily for flood prevention. Some projects, however, have included drainage, irrigation, fish and wildlife development, or municipal water supply. Projects range in size from less than 10,000 to 250,000 acres. The average project contains 60,000 acres and has 7 or 8 floodwater-detention dams. Most dams are built with a small water pool which is expected to be filled with sediment over a period of 50 years. These pools are being widely used for recreation where the landowners who own them permit it. Not more than about 50 reservoirs out of some 1,900 built to date are publicly owned and available for recreation.

Under the law, local organizations must provide all land, easements, and rights-of-way. Most reservoirs are built on land where the easements have been donated by the landowners to the local organization. Landowners then have the right to control the use of the land around the reservoir and to use the water in the sediment pool so long as they do not interfere with the functioning of the structure for flood prevention. Conservation practices must be carried out on at least 50 percent of the land above any structure before it can be built.

Construction costs for flood prevention are paid for by the Federal Government. Costs for drainage, irrigation, and fish and wildlife are shared with the local organization (generally about 50-50). There is no Federal contribution to municipal water supply except under the loan provision of the Act. There is no assistance for public recreation.

The new program would continue all of the present features but, in addition, would authorize the Department to assist local sponsors to develop public recreation and fish and wildlife facilities in the projects. The purpose would be twofold: (1) To effect needed land-use adjustments by converting some land, preferably cropland, to recreational uses, and (2) to meet a strongly developing need for more public recreational facilities.

At least one reservoir would be selected in each suitable project which has a good potential and need for public recreational develop-

ment, to become a lake for swimming, boating, and fishing. Other areas of natural beauty or land needed for hunting upland game and waterfowl might be selected for development. Improvement of streams and natural lakes in the project area for fishing, and the development of campsites could also be undertaken. Legislation to include recreation as a purpose in the Watershed Act, and to permit the government to share the cost of land easements and right-of-way for recreational purposes would be needed.

The recreation development would be undertaken by the project sponsors which may include municipalities, counties, or State park and fish and wildlife agencies.

While the Soil Conservation Service has major responsibility for providing assistance in watershed projects, other programs of the Department could provide material assistance. Throughout the watershed, the Agricultural Conservation Program could stimulate the production of game and wildlife by encouraging practices for development of wildlife areas on a long-term basis. This would require new authority for long-term cost-sharing agreements. The Forest Service could cooperate in the development of recreational areas in national forests. If private financing were not available, the local cooperators might borrow funds from the Farmers Home Administration to construct boathouses, docks, and sanitary facilities.

Stimulated by the public development, nearby private landowners might want to develop motels or riding stables. The Office of Rural Areas Development could channel loan applicants to the Small Business Administration under an existing program. Some of these private operations, such as game farms or shooting ranges, would contribute to the success of a farming enterprise. The Farmers Home Administration could make loans for such purposes under a broadened FHA loan authority.

Recognizing that recreation land becomes scarcer as cities grow, the Department might also develop selected pilot areas outside of watershed projects by securing long-term options to buy additional land for recreation to be exercised as need increased. This option might be combined with easements so that in the interim, limited use could be made of the land for such activity as nature trails and horse-back riding. The Department might also, directly or through the local cooperators, acquire scenic easements on other lands in order to protect the recreational site and to enhance its value by keeping it in trees or other suitable use. These actions would require new legislation to buy land or rights to land. (Present land acquisition authority under Title IV of the Bankhead-Jones Farm Tenant Act is limited to submarginal agricultural land.)

Conversion of Cropland to Grass

Shifting cropland to grass will return many acres to the use for which they are best suited.

In the first year or two, this effort would be directed to areas outside the scope of the feed grain and wheat programs, and particularly to lands on which Conservation Reserve contracts expire.

The program would feature 5- to 10-year agreements with land-owners, with incentive payments based on land quality. For the poorest cropland, cost-sharing programs would be made to establish grass cover, and easements would be sought to eliminate allotments and crop history. On more productive lands, cost-sharing and rental payments would be offered to keep land in grass. On both classes of land, cooperators might be permitted to graze the land.

It is especially important that a program of this kind be established to prevent a large-scale return to cultivation of lands on which grassland cover was established under the Conservation Reserve Program. This need is most critical in the Great Plains where grass is difficult to establish and where wind erosion is a hazard.

Conversion of Cropland to Trees

The demand for forest products will increase in the years ahead, but it can be met with only a very small increase in acreage. Any major increase in forest lands would be useful particularly for recreation, for wildlife, for general use by a growing population and to provide a reserve.

Under the program, owners would agree to plant trees on land taken out of crops and to protect and maintain the tree cover on such lands for perhaps 15 years. The Government would share the cost of planting and would make annual payments to owners at least during early years of the contract.

For poor cropland, the program would be about the same as the grassland program. On better lands, rental payments would be based on the value of the land for the production of crops customarily grown. The owner could be permitted to harvest forest products during the period of the contract, provided such harvesting was carried out according to approved practices.

These general programs to encourage a shift of cropland to grass and trees would be initiated on a pilot basis and would be later made available throughout the country. They would complement the commodity programs described in Part V, programs which would divert some 35 to 40 million acres out of feed grains and wheat each year. Long-run land-use programs on a continuing basis would assist farmers to turn those unneeded crop acreages to other productive uses.

If 40 or 50 million acres could be transferred from crops to other uses in a land-use adjustment program in the 1960's, the job of reducing feed grain and wheat acreages would be eased. Such a shift would reduce total farm output by about 3 to 4 percent.

Needed Legislation

The following legislation would be required to make a start in the proposed pilot programs:

- (1) Amendment of the Soil Conservation and Domestic Allotment Act to expand the Agricultural Conservation Program to include payments and cost-sharing arrangements under long-term contracts to provide for changes in cropping systems and land uses for development of soil, water, forest, wildlife and recreation resources.
- (2) Amendment of the Bankhead-Jones Farm Tenant Act to provide for recreational development and wildlife protection under that Act.
- (3) Amendment of the Watershed Protection and Flood Prevention Act to provide for cost-sharing assistance for recreational development, for Federal assistance in acquiring land rights and basic facilities needed for public use of reservoirs and other areas for fishing, hunting or other recreational purposes.
- (4) Modification of the above Act to provide for loans for recreational facilities.
- (5) Expansion in the authority for FHA loans to farmers for recreational enterprises.

PART II

Economic Development for Rural People

THE PROGRAM for better use of our land must go hand in hand with a program to provide better opportunities for the people who live on the land—better economic opportunities and opportunities for improvements in their communities and institutions. Already there is far too much poverty in rural America. Programs of agriculture must move in the direction of eliminating this poverty.

Such programs are directed toward a better life for the 54 million people that live in rural areas. They include measures to encourage the formation of economically viable family-size farms, and the diversion of some of the land to the growing of trees, recreation, conservation, and wildlife preservation. They include the renewal of rural communities by helping to create new industrial and commercial enterprises and better community facilities. They include vocational and other educational opportunities that are basic to the development of a strong and prosperous rural America.

Rural Poverty

What is the situation? Nearly one-third of our people live in rural areas, but over one-half of our poverty is found there. There are 4.1 million rural families with a total money income of less than \$2,500, compared with 3.9 million such families in urban areas. The concentration of poverty among farm families is even worse than among

Table 2. Money incomes of U.S. families in 1960¹

Total money income	Urban	Rural nonfarm	Rural farm
	Percent 100. 0	Percent 100. 0	Percent 100. 0
Total-----			
Under \$1,000-----	3. 1	5. 5	17. 7
\$1,000-\$2,499-----	10. 9	12. 0	26. 2
\$2,500-\$4,999-----	23. 7	24. 3	30. 4
\$5,000-up-----	62. 3	58. 2	25. 7
Median income-----	\$5, 911	\$5, 620	\$2, 875

¹ From U.S. Department of Commerce. Bureau of the Census, Current Population Reports, 1-17-62.

nonfarm rural families. Almost half of our farm families had total money incomes from all sources of less than \$2,500 in 1959, and nearly two-thirds of the individuals living alone on farms had incomes of less than \$1,000 a year (table 2).

The process of change in American agriculture has left idle land and unused buildings on thousands of small tracts in low-income areas. These resources must be directed to new uses.

About 60 percent of the Nation's farms produce only about 13 percent of the agricultural output. New economic opportunities must be found for these people.

The Department of Agriculture, in cooperation with other agencies, is engaged in a determined effort to generate expanding economic opportunity in rural areas. All agencies of the Department have reviewed their services and are giving top priority to this effort. We are determined to remove the blight of rural poverty from our land within this generation. However, additional tools are needed for the job.

Rural Industrialization and Commercial Enterprises

Overall, probably the most promising potential source of new economic opportunities in many rural areas is to be found in providing commercial enterprises and various services connected with outdoor recreation and tourism.

Location of research facilities in an area often expands possibilities for commercial development.

Each additional factory, commercial enterprise, and public installation that locates in an area and builds a payroll provides the purchasing power base and need for additional commercial enterprises, trade and service activity, and professional services, whose payrolls add still additional jobs and purchasing power in the area.

During the past year, the Rural Electrification Administration made important contributions to expanding industrial and commercial enterprises in rural America. In 1961, the agency's 1,000 borrowers connected an additional 148,000 rural consumers, including an estimated 12,000 new business firms, processing plants, and industries—new opportunities for many rural people. More than 186,000 telephone subscribers were connected. REA loans under Section 5 of the REA Act have financed, through electric borrowers only, the purchase and installation of electrical machinery and equipment for industrial, commercial, and agricultural purposes. These loans are made to borrowers who cannot obtain capital from any other public or private source.

For example, a \$280,000 loan went to a Minnesota electric co-op which in turn lent \$250,000 to the operator of a millwork plant to

finance electrical equipment. This plant employs 160 persons, and expects to expand. Besides this, during the winter, it uses the services of many farmers to cut trees and bring them to the plant.

Direct and important contributions to rural industrialization efforts are made by other agencies of the Department. The Forest Service has stepped up its activities in rural areas to provide more job opportunities. In Minnesota, for example, the Forest Service increased its activity in the Minnesota National Forests by almost 15,000 man-days of employment. In Mississippi, Forest Service help resulted in a new charcoal briquetting plant, providing a market outlet for a number of kilns.

Watershed Development

The construction of a Soil Conservation Service watershed protection project has often set off a chain reaction of events that builds outdoor recreational facilities and industrial and commercial enterprise in the area. Not only does the rural area benefit from the added purchasing power and more attractive surroundings and conservation values provided, city people also benefit from the additional recreation sites and opportunity for vacation or weekend enjoyment. With a ready rural power supply, a ready water supply, and improved rural roads and highways, conditions are now favorable for the first time in history to build and operate industrial plants in rural areas.

Community Facilities

In many rural areas, the difficulty of financing adequate safe and sanitary housing and modern community facilities, such as water and sewage systems, recreational installations, and transportation, has deterred general community improvement and more rapid industrialization. Of the 27 projects which the Department of Agriculture recommended to the Area Redevelopment Administration by January 4 this year, nearly half were related to water or to sewage disposal projects. An exploratory survey is under way to determine how current programs can be improved or new programs started to speed local development of community facilities.

The Department of Agriculture, in cooperation with the Area Redevelopment Administration and the Community Facilities Administration, should be able to make available a complete package of loans, grants, and technical assistance, including engineering and technical advice, to rural public bodies for the purpose of establishing such community facilities as—

Water systems to industrial users, including sewerage and sewage treatment plants.

Public utilities.

All types of recreational facilities, including swimming pools, golf courses, tennis courts, athletic grounds, ski lifts, picnic grounds, tourist trailer parks, and play grounds.

Community centers, including auditoriums for the production and showing of plays.

Rural clinics.

Industrial parks to include water and sewerage, utilities, roads, and other necessary supporting facilities.

Many parts of this package are already authorized, but new legislation is needed and is now proposed to enable the Farmers Home Administration to finance sewage systems and other rural community facilities.

Rural Renewal

In some rural areas the general level of economic activity and family income is so low, and the lack of community facilities so acute, that a complete rural renewal operation is the only sensible solution.

Approximately 800 counties of the United States are in serious "low income rural areas" or in economically lagging rural areas. Some 31 million persons live in those areas outside metropolitan centers. These include farm and rural nonfarm families as well as some persons living in small towns. Median net money incomes of these families are very low, usually one-third or less of the median family income for the Nation. These areas contain a high proportion of part-time and part-retirement low-producing farms.

In these 800 counties there are 25,000 or more rural and small town communities which have been in a period of relative economic deterioration and heavy outmigration for two decades or more. Community and private facilities have run down and in many instances have been abandoned. Outmigration has left thousands of "unused" or little used acreages with the result that some broad areas have almost "gone out of business"—farm and nonfarm. Continued deterioration and outmigration threatens large regions with virtual abandonment, drains them of productive workers, and makes more difficult any attempt at development of the resources of such areas. Not only individual families that have farm resources are caught up in this problem, but also included are hundreds of villages and small towns, including county seats. As economic deterioration continues, businesses and private and public services in these towns have closed and income and job opportunities have continued to shrink.

For these areas, in addition to the nationwide rural area development programs, a new program is proposed to provide loans and technical assistance to local public rural renewal authorities. This program would aid in developing new uses for land and water, create industrial parks, assist small farmers in farm consolidation and

enlargement, and develop needed public facilities including outdoor recreation. New legislation will be required for this program to permit loans to approved public agencies to acquire and develop and dispose of land for the specified purposes and to permit loans to individual farmers to establish recreational facilities and other income-producing enterprises.

With this additional authorization, the Federal Government will be able to provide a comprehensive set of aids to backstop local rural renewal authorities in a full-scale effort to reinvigorate these areas. This instrumentality of local government will develop plans for area renewal and development, will receive loans and grants, contract for services, purchase, lease and resell land, remove buildings, and help families establish themselves in economic enterprises in project areas. The Federal Government will encourage and assist State and local bodies in rural areas in planning and carrying out the projects.

These rural renewal projects, in short, would constitute especially concentrated efforts in areas of greatest need to use all the tools at our command to create new opportunities, both on and off the farm. Such rural renewal projects could reverse the trend of economic deterioration in many of these communities and put them back on the road to economic growth and improved opportunities for their people.

Education and Vocational Training

Equal opportunity for the children of rural America is a high national priority, an essential element of the promise of America—equal opportunity for all. Our rural children deserve the same opportunities for health, education, and advancement that are afforded by our society anywhere. Over 10 million rural youths will reach working age in the next 10 years, and most of them will seek desirable economic opportunities.

Educational facilities in rural America have been substantially strengthened in recent years in most areas. However, there are still woeful gaps in the opportunities of rural young people for educational and vocational training. Particularly, there is a lack of vocational training facilities for nonfarm jobs. The prevalence of so much poverty on American farms, the lack of resources for earning direct incomes from farming, and the difficulty of the transition to nonfarm employment urgently require new measures to help provide the needed education and training for rural people who have no other means to obtain it.

We believe, therefore, that Congress should consider making special provisions for improving the educational opportunities and vocational training of rural youth. We should not and cannot delay in strengthening the educational opportunities and vocational training in rural

areas; only highly skilled and well-trained young men and women are able to compete successfully in this technological age. There is no other single step that could be taken that would do more to improve the prospects of rural young people.

Strong Family Farms

The backbone of our rural economy is and, of course, will continue to be agriculture. While we strive to do our utmost in creating new nonfarm job opportunities, we must at the same time improve the opportunities in agriculture itself.

The basic structure of American agriculture is built on the family farm with its dependence on the operator family for a substantial part of its labor, capital, and management. The family farm system has given this Nation the strongest and most productive and most efficient agriculture in the world. More than that, it is a bulwark of the social and cultural values that are most essential to our national life. Our first objective with respect to farm opportunities, then, is to create economic conditions in agriculture which will make it possible for an efficient farm family with an adequate farm to earn a living comparable to other economic groups.

But there are also many cases where part-time farming can be made to fit happily into an economic pattern for retired people or people with other sources of income, who can still live on the land and contribute to the well being of rural communities. These, too, are a vital part of our family farm system.

The basic foundation of a prosperous rural area is the opportunity for families on full-time and part-time family farms to have adequate incomes for their work, saving, and management.

The rural development programs in our total agricultural program for the 1960's will be designed to achieve the maximum total economic opportunities in rural areas by encouraging industrial and commercial development, strengthening full-time and part-time family farm operations, maintaining the optimum farm population in rural areas, protecting and conserving natural resources, improving educational opportunities, and assisting in providing recreational and community facilities.

This is a program with many parts, as it should be in a free country where people should be free to shape their own destinies. Nevertheless, it is a practical program which can achieve much to strengthen our American way of life.

PART III

Agriculture's Consumption-Production Balance

AMERICAN FARMERS have proved that they can produce abundant supplies of food and fiber at reasonable prices to meet the high levels of consumer demand growing out of a prosperous and expanding economy, and to contribute to a positive foreign policy designed to combat hunger, further international development, and help lay the foundations of world peace.

Needed, however, is an economic climate—a set of institutions and operating programs—in which a flexible, efficient agriculture can produce this abundance *and earn a fair return*. The efficient family farmer should be able to earn an income comparable to incomes earned by similar resources and for similar effort in nonfarm employment.

To formulate programs to bring about this economic climate we must clearly recognize the potential for agricultural production to outrace consumption. A realistic approach requires an evaluation of agricultural programs of the past that have maintained a balance between production and consumption for some commodities, while they have failed with regard to others. It further requires an examination of both domestic and foreign food markets of today and tomorrow, with a consideration of the best possible projections into the future, together with projections of the potential productivity of American farms.

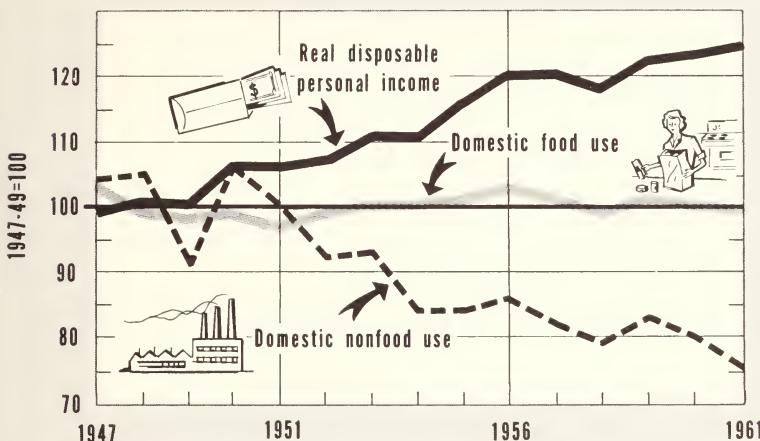
The Nature of the Problem

Agriculture entered the sixties facing an old and tough problem—a productive capacity which would continue to outrun its market outlets. The domestic market for farm products is capable of only slow expansion. Even when coupled with big gains in foreign shipments, it has failed to equal the spectacular production increases of the last 10 years.

Largely because of its own unbridled productivity, agriculture has failed to share equally with most nonfarm sectors in the rewards of success. Prices received by farmers in 1959 and 1960 averaged 6 percent below a decade earlier. The prices paid by farmers—following the trend of nonfarm prices—rose 17 percent over the same period. As a result, the parity ratio—the “terms of trade” between agriculture and the nonfarm sector—has held close to 80 in recent years, some 20 percent below the 1949–50 average.

Fig. 1

**Index of per capita consumer income
and consumption of farm products**



In the United States, food consumption per person increases very little as incomes rise. During the 1950's, there was virtually no change in per capita consumption of farm food products, although the average consumer's buying power rose nearly one-fifth. Meanwhile, domestic use of nonfood farm products—mostly fibers, fats and oils, and tobacco—declined almost one-fifth.

Why the lag in the demand for farm products?

Food and clothing are necessities of life which command a high priority. But once the food priority is met, increases in the domestic demand for food depend primarily on population growth. Total food consumption per person is influenced very little by changes in retail food prices or by higher incomes in a high income economy such as the United States.

Proof of this is easy to find. In terms of farm products, there was virtually no change in the amount of food consumed per capita during the 1950's (fig. 1). Yet the average consumer's buying power rose nearly a fifth in that time. Today, an increase of 10 percent in per capita income will add only about 1 percent to per capita food consumption in terms of farm products.

While food consumption per person has been fairly stable, we actually used almost a fifth less nonfood farm products—mostly fibers, fats and oils, and tobacco—in 1959-60 than in 1949-50. Put-

ting all farm products together, food and nonfood, per capita use in 1959-60 averaged about 4 percent less than a decade earlier.

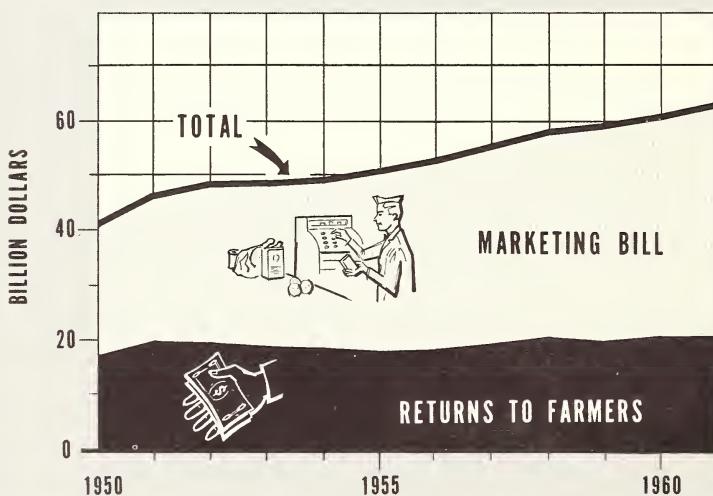
While actual food consumption has been stable, consumer expenditures for food at retail have closely paralleled changes in consumer income. During the 1950's, a 10 percent increase in consumer buying power per person was accompanied by an increase of about 5 percent in per capita expenditures for domestic food items. But most of that gain represented the increased costs of marketing, and demands for more marketing and processing services (fig. 2).

There is more than meets the eye, however, in the overall stability of consumer demand for food. Important changes have taken place in the consumption of individual foods—many of them due to changes in consumer incomes and relative prices.

In the two years 1959-60, consumers ate on the average about 20 pounds more beef and 11 pounds more poultry than a decade earlier. They ate a little less pork, fewer eggs and less of the high-fat content dairy products. The shift to meats and high-protein foods was more than offset, in pounds, by reductions in per capita consump-

Fig. 2

Food expenditures: Returns to farmers and the marketing bill



Most of the rise in expenditures for food has paid for increased marketing charges—transportation, processing, packaging, and retailing. From 1950 to 1961, consumer food expenditures rose \$20.7 billion, while returns to farmers for those products rose by \$3.3 billion.

tion of fresh vegetables, cereals and in general the high-calorie type foods.

Among the fruits and vegetables, the decided trend away from fresh use has been largely offset by increased consumption of canned, frozen, and convenience-type foods. Potato consumption per person has stabilized in recent years after earlier declines, reflecting increased use in processed forms, such as chips and frozen french fries.

There are many influences besides income on consumer preferences. Relative price is also an important factor, with poultry presenting a classic example. Increased consumption of poultry is traceable in large measure to the decline in poultry prices relative to other meats. Lower prices are due in part to technological improvements—but they are also the source of acute distress in the industry.

The rise in consumption of margarine relative to butter is a similar case. But the drift downward in per capita use of dairy products has been partly due to concern about the amount and types of fat in the diet. Tastes change, too. The habit of only "coffee and toast" or cereal for breakfast among city dwellers has been an important factor in declining egg consumption.

All in all, total pounds of food consumed per person declined about 3 percent over the decade of the 1950's from the 1949-50 average; calorie intake declined about 2 percent.

The Domestic Food Market

Increases in the domestic market for farm products will continue to depend primarily on population growth. Rising consumer income, changes in relative prices, and taste changes will continue to modify the diet and may result in some further decline in the per capita use of all farm products.

Rising incomes are expected to result in a further increase in per capita consumption of beef and possibly poultry. There may be a further slight decline in pork consumption per person. Some modest price strength in these products as a result of reduced grain production and higher grain prices will limit somewhat the expansion of livestock product consumption. Gains for meat animals are likely to be largely offset by a continued downtrend in per capita consumption of eggs and dairy products, however. Per capita consumption of crops as a whole may decline slightly.

With population up about 11 percent by 1967, total livestock product consumption will likely be around 10 to 12 percent higher than in 1961. The total domestic market for crops is expected to increase around 8 to 10 percent from 1961 to 1967.

Allowing for higher incomes, for some expansion of the food distribution programs, and for somewhat higher prices for livestock prod-

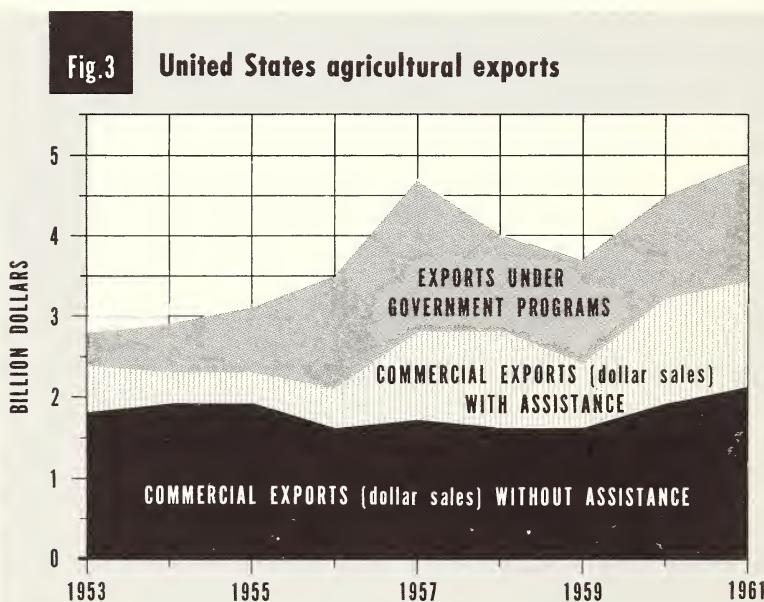
ucts by the mid-1960's, combined domestic demands for farm products are expected to be around 10 percent higher than in 1961.

No dramatic jump in the domestic demand for food or for other farm products can be expected; food use will continue to grow with the population.

Food and Fiber Exports

The United States is the largest exporter of farm products in the world. The product of one-sixth of our crop acreage harvested is exported. Agricultural exports were valued at \$5 billion in 1961—one-fourth of our total exports.

The entire Nation—not simply farmers—has a stake in our agricultural exports. More than two-thirds of these exports go to commercial markets and are paid for in freely convertible currencies (fig. 3). Thus, agricultural exports are one of our best earners of dollars abroad and one of our best tools for dealing with the critical balance-of-payments problems.



More than two-thirds of our agricultural exports go to commercial markets, although part of those exports are made under export subsidy programs. Exports under Government programs are primarily Food for Peace shipments. The export market is increasingly important to American farmers.

The maintenance and expansion of our export market is most essential to a prosperous farm economy. Some sectors of agriculture and some regions of the United States have a much greater stake in the export market than others. Half of total wheat production in 1961 was exported; producers of rice and dried peas are even more dependent upon exports. Cotton exports in the calendar year 1961 were equal to nearly half the 1960 crop. Soybeans (including soybean oil) and tallow exports equal about two-fifths of output. Tobacco, hops, nonfat dry milk, raisins and many others depend upon foreign demand for up to one-third of total sales.

Over the past few years, U.S. agriculture has benefited from reciprocal tariff negotiations authorized by the Trade Agreements Act. In many cases, we have been able to strike a bargain with Western European countries that involved lower trade barriers for U.S. agricultural exports. At the same time, protection against agricultural imports has been retained where needed because of higher U.S. production costs or price support programs.

However, foreign countries have been reluctant to apply broadly the principles of a liberal trade policy to their agriculture. And the tide seems to be running toward even more protectionism in agriculture. It now appears that some of our agricultural exports to the European Common Market could decline sharply unless specific agreements can be reached with European importers. If U.S. agriculture is to maintain or increase its commercial exports, less restrictive trade policies for both agricultural and industrial goods are essential.

Food for foreign aid makes up the second main group of agricultural exports. Measured against a standard well below the nutritional standard employed in the United States and other advanced countries, the deficit in world food supplies is striking. Two-thirds of the world's population—2 billion people—live in areas that fall below this minimum nutritional standard. Two-fifths of these people live in the populous countries of the Far East and account for three-fifths of the world food deficit.

The annual world food deficit at the beginning of the 1960's, expressed in terms of familiar U.S. farm products, is over 3 billion pounds of nonfat dry milk, *plus* 350 million pounds of dry beans, 7 billion pounds of vegetable oil, and over 1 billion bushels of wheat. These measures mean that the shortage of protein from animal sources is equal to the nonfat dry milk figure; the remaining high-quality protein deficit is equal to the dry beans figure; and the energy and other protein deficits are equal to the vegetable oil and wheat figures above. This huge deficit of food presents both a singular humanitarian challenge and a genuine economic opportunity.

What are the conditions under which these 2 billion people live? Per capita income is very low. Land available per person for food production is limited in most of these countries. Improved technologies are making only a slow start. Some of the countries lack the physical facilities for receiving and distributing enough food even if it were available. Such problems—plus the desire of most Nations to be self-sufficient in food—impose a limit on both the rate of expansion of our food assistance programs and the eventual scope of the program. However, some of these limitations can and must be overcome, so that the great productivity of American agriculture can contribute to international economic development in the 1960's.

Expansion of commercial exports can be continued if we move boldly. Larger exports under special programs are also possible. No specific projection of either type of export market is made here, as was made for domestic needs. Our farmers and the Government are determined, however, that the growth of agricultural exports should continue. Proposals which the President has made for a less restrictive trade policy, vigorous negotiations with the Common Market countries, and a positive and expanding program for use of food in international development, are aimed at this objective.

By such a combination of efforts, total agricultural exports by 1967 can be increased by around 10 percent from 1961. The combined domestic and export demands for U.S. farm products by 1967 would be around 10 percent higher than in 1961.

Food Production

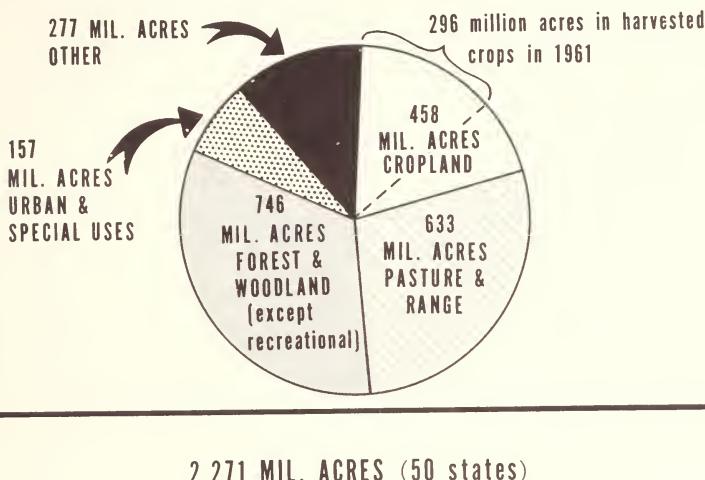
America's large and growing capacity to produce is both a positive blessing and a knotty problem. Our large acreage of fertile lands is basic to this increase in productive capacity. The real key to it, however, is the ability to make that land increasingly productive through farm technological advance. Farm output in the United States expands primarily through the application of new and improved production practices, not through increased use of land and labor.

In 1961, we harvested crops from only two-thirds of the cropland readily available. Yet production was more than ample to meet all domestic and export needs (fig. 4). Harvested acreage was down because of the 1961 emergency feed grain program, which reduced plantings of corn and grain sorghum and held production of those crops below utilization for the first time in a decade.

Over the years, crop output has expanded persistently despite declines in acreage harvested as a result of acreage allotments and the Soil Bank. Those programs were not without some effect. But over the longer run we have produced more on less land as yields rose.

What would happen to the acreage we harvest without current programs? In the absence of acreage allotments and land retirement

Fig. 4 How our land is used.



2,271 MIL. ACRES (50 states)

In 1961, only two-thirds of U.S. cropland was used for harvested crops. Yet production was ample for all needs, domestic and export. The chart dramatizes at a glance our immense land resources.

programs, the acreage of harvested crops could be expected to increase to about 330 million acres in the next 5 years, compared with 296 million acres harvested in 1961. Most of the increase would come with 1963 crops.

The 1961 feed grain program reduced feed grain acreage by about 20 million. That land would return to production quickly. Some 17 million acres will be released from Conservation Reserve contracts in the next 5 years and about 10 million acres is expected to return to crops. About 4 million acres of new land is expected to come into production in the next 4 years. And if acreage allotments were ended, farmers would reduce their fallow and idle land somewhat. All these are potential additions to crops harvested if programs are not enacted for 1963 and subsequent crops (fig. 5).

Partially offsetting these increases, only about 2 million acres of harvested cropland can be expected to go into nonfarm uses within the next 5 years—into urban and residential development, highways and airports.

The production which could be expected from 330 million acres of harvested crops by 1967 would pose a serious threat to farm prices

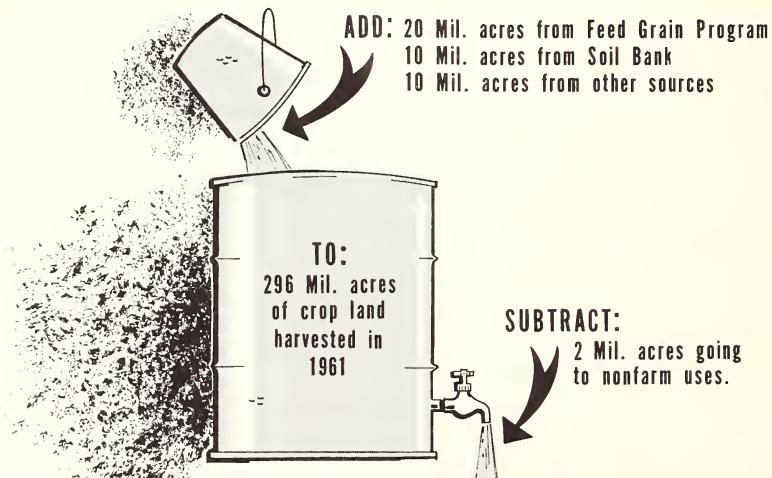
and incomes. With average weather, per acre yields in 1967 would be at least 10 to 12 percent higher than in 1961. More acres plus more per acre would add up to an increase of one-fourth or more in crop production over 1961. The rate of increase in yields estimated is a little slower than in recent years, when greater use of fertilizer, better plant varieties, more and better chemicals and machinery, and more skillful farming combined to push 1961 crop yields 40 percent above 1950 levels. Research and improved farming will bring higher yields and better products. Despite great gains, we are yet in the foothills of technical progress in agriculture—not at the peak. Unless all signs fail, the ceiling on crop yields is still far in the future (fig. 6).

The spectacular rise in production per acre during the past 10 years has been especially noticeable in the major crops—wheat, cotton and feed grains (fig. 7).

Average yields for the four major feed grains rose from less than a ton per harvested acre in 1950 to 1.32 tons in 1961. By 1967, yields may approach 1.5 tons per acre with only average growing conditions.

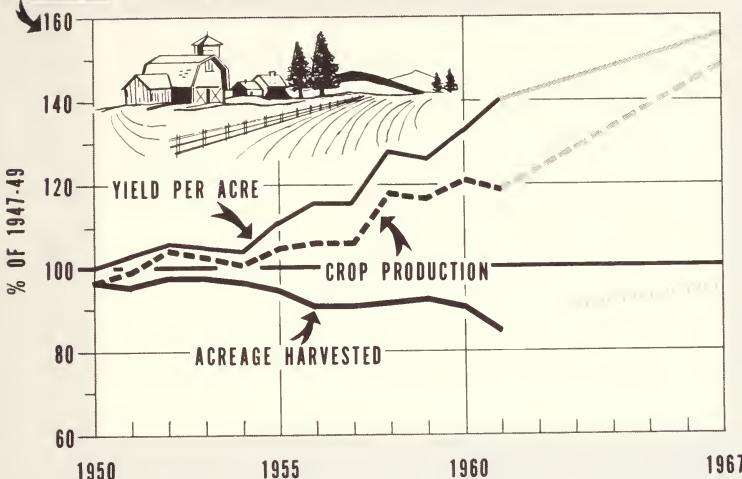
Average yields of wheat rose from 16.5 bushels per harvested acre

Fig. 5 Potential ready additions to acreage harvested by 1967, without effective land-use adjustment programs



A net addition of nearly 40 million acres of cropland would readily go into production by 1967—in the absence of effective land-use adjustment programs. Crops would again be harvested from 330 million acres or more, instead of the 296 million harvested in 1961.

Fig. 6

Index of crop production related to acreage harvested and yield per acre

Despite the decline in crop acreage since 1950, crop production has risen sharply, because of even sharper increases in yields per acre. Crop yields in 1961 were 40 percent above 1950 levels due to greater use of fertilizer, better plant varieties, more and better chemicals and machinery, and more skillful farming. The projection of acreage harvested shows what would happen without effective land-use adjustment programs.

in 1950 to nearly 24 bushels in 1961. By 1967, average yield per harvested acre of about 27 bushels should be expected. This yield has already been reached—in 1958. The possibility of substantially higher yields should not be ruled out.

The average yield of cotton was about 270 pounds per acre in 1950; in 1961 it was 438 pounds. By 1967, average yields of one bale per acre—500 pounds—would not be surprising.

All in all, crop production has increased by nearly one-fifth in the last decade despite declining prices and incomes, efforts to restrict production through allotments on cotton, wheat, and other crops, the Soil Bank, and other programs. It can increase by one-fourth in the next 5 years on lands readily available, and primarily with methods now known and widely used.

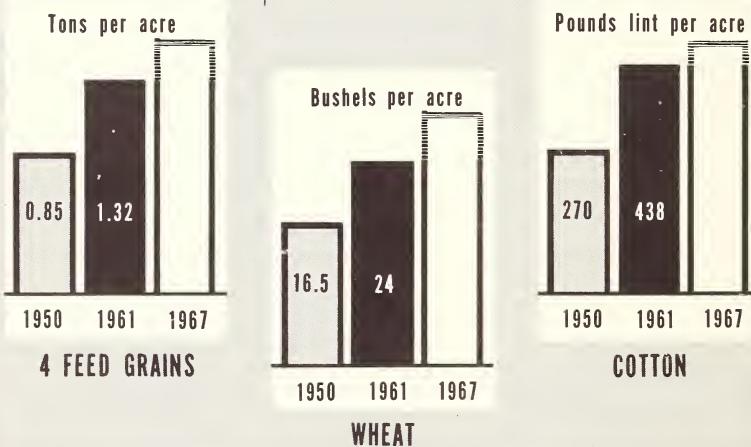
In terms of major commodities, this could mean production at the rate of 190 million tons of feed grains in 1967, compared with 141 million tons in 1961; 1,600 million bushels of wheat compared with

1,235 million bushels in 1961; and nearly 20 million bales of cotton compared with 14.3 million bales in 1961. *These huge quantities could be produced at the same time production of other commodities was being expanded.*

This march of technological progress based on new varieties, new chemicals, new machinery, and new practices is the product of the laboratories and of the ingenuity of American farmers. When new methods are available, when farmers are informed of them, and when it is profitable to use them, they are adopted—and farm output expands.

Shifts toward use of more purchased inputs—to tractors and fuel and fertilizer—continue whatever the farm policy. Use of fertilizer alone has more than doubled since World War II. Labor use has declined sharply at the same time—by nearly one-third in the last 10 years. More output with less labor adds up to a striking increase in worker productivity. The ratio of farm workers to people in the

Fig. 7. Yields per acre for major crops, projected to 1967



The rise in production per acre during the past 10 years has been especially spectacular in the major crops—wheat, cotton, and feed grains. This trend will continue. Feed grain yields may approach 1.5 tons per acre by 1967. Average wheat yields of 27 bushels per acre or more should be expected on an acreage as large as was harvested in 1961. Cotton yields by 1967 may be somewhere near one bale per acre.

United States is rapidly approaching 1 to 30—a remarkable record of agricultural achievement.

There have been proposals for terminating both farm programs and production research, to discourage the adoption and the development of new methods of production through low farm prices and lack of support for research. Neither proposal will bear critical examination.

New practices that increase output are often profitable to the individual farmer even when prices are low. If farm prices were pushed low enough to bankrupt many present farm operators, the land would remain, and someone else would farm it. Low prices for one farm product may shift resources to other products, but a generally low level of farm prices will neither reduce total output nor will it exert a significant brake on production—short of general and sustained economic distress. In good times and bad, total farm production does not decline measurably when people leave farming; land simply changes hands.

Limiting production by choking off advances in farm technology would be as unwise a policy choice as a deliberate policy of low farm prices. Research and technological change in agriculture must continue—

To insure plentiful, high quality food at reasonable cost for future generations.

To protect against disease and insect losses.

To increase efficiency of production and marketing.

To add to the strength of the total national economy.

A more efficient agriculture—not a backward agriculture—is the only possible choice in the 1960's. What is needed is not less rapid improvements in methods, but a sincere concern for the results of technical change, plus efforts to make those results work both for the general welfare and for farmers.

The Production-Consumption Imbalance

There is ample room for error in any projection of production and output. We estimate a potential increase by 1967 of one-fourth in crop output from 1961—but an increase of only about 10 percent in the demand for farm products (fig. 8). The difference may be termed “The Production-Consumption Imbalance.”

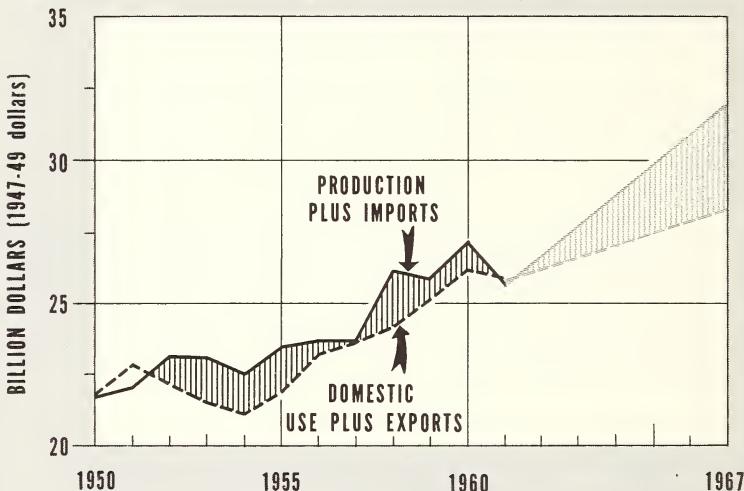
This potential excess of production of farm crops over utilization by 1967, with prices approximately at the 1961 level and with the best obtainable expansion in Food for Peace exports, is about 12 percent. If that excess output were put into the market, it would seriously depress farm prices and incomes. If it were to be acquired by the

Government in supporting prices, it would create a record burden on the budget.

Depending upon drought, or a limited war, or a great technological breakthrough, potential overproduction by 1967 could be as low as 5 percent or as high as 20 percent. Whatever the magnitude in that range, the potential for depressing farm prices and incomes is great.

Fig. 8

Crops: The production-consumption gap without effective production adjustment programs



In the last decade, the production-consumption gap has ranged up to 8 percent. Without effective adjustment programs, and with average conditions, the gap would be about 12 percent by 1967. Depending on crop and export developments, it could be as low as 5 percent or as high as 20 percent by 1967. Anywhere in that range, it would have serious effects on farm prices or Government costs or both.

PART IV

Abundance: Programs for Food and People

OUR PROGRAM for Food and Agriculture in the 1960's seeks to make the most of our abundant capacity to produce food and fiber to meet human needs.

Within the United States, this goal is being approached in several ways. We are making every effort to provide increased information and education to promote better nutrition. We are intensifying programs to provide better diets for those in need by means of direct food distribution and the Food Stamp Program. We are expanding our special milk and school lunch programs for the children of this Nation.

We are also seeking to utilize our abundance to its fullest practicable extent to relieve hunger and promote economic development in emerging nations abroad, and to that end our program includes legislation to increase the effectiveness of our Food for Peace programs.

These special programs to meet special needs, combined with high employment and economic growth in our overall economy, plus a new trade policy that will help to increase our commercial exports of agricultural commodities, can hasten the day when a flexible, prosperous American agriculture can make its maximum contribution toward erasing the fear of hunger from the minds of men, women, and children at home and abroad.

A Positive Food Policy in the United States

There are weak spots in our diet, even though our national food supply is well above the National Research Council's recommended allowances for calories and nutrients. A nationwide food survey in 1955 showed that 13 percent of our families had distinctly poor diets, a matter for serious concern. Calcium and ascorbic acid—both essential to growth and good health—are short in many diets, both because of low incomes and a lack of education on diet matters. Even some higher-income families get less than adequate amounts of these essential nutrients.

Serious efforts are being made to correct these remaining "weak spots" in the national diet. One responsibility of the Department of Agriculture is to cooperate with States and with other public and private agencies to make food available to those who need it but cannot afford it. These efforts should be intensified.

The Department has for many years operated programs designed to improve the diets of our Nation's population. These are our basic

tools for attaining our nutrition goals. In addition, one new approach—the Food Stamp Program—was begun on an experimental basis in 1961 to improve the effectiveness of public food assistance programs.

● **The Food Stamp Program.** A pilot Food Stamp Program has operated in eight economically depressed areas since mid-1961. Under this program, needy families exchange the amount of money they would normally spend on food, for food coupons with a higher value. The difference between the amount the families pay and the value of the coupons they receive represents the Federal Government's contribution. Families use the coupons to purchase food out of commercial supplies at retail food stores. All but a few imported foods may be purchased. Retailers redeem the coupons through commercial banks.

The pilot Food Stamp Programs were set up primarily to guide future action. About 140,000 needy persons were taking part in the eight projects at the end of 1961. Their food-purchasing power is being increased by about \$1 million a month. Sales in participating retail stores appear to be up about 8 percent over the earlier period. Animal products and fruits and vegetables account for more than 80 percent of the gains in food consumption in the pilot areas studied—a significant improvement in the quality of diets.

In view of the success of the pilot operations, this program should be gradually expanded. Preparation for this expansion—to be started using existing authority—is under way. Cooperating State and local governmental units require time to arrange for proper certification of needy families and for handling coupons. The proposed expansion in fiscal 1963 would provide a program three to four times the size of current pilot operations, with expenditures of approximately \$50 million.

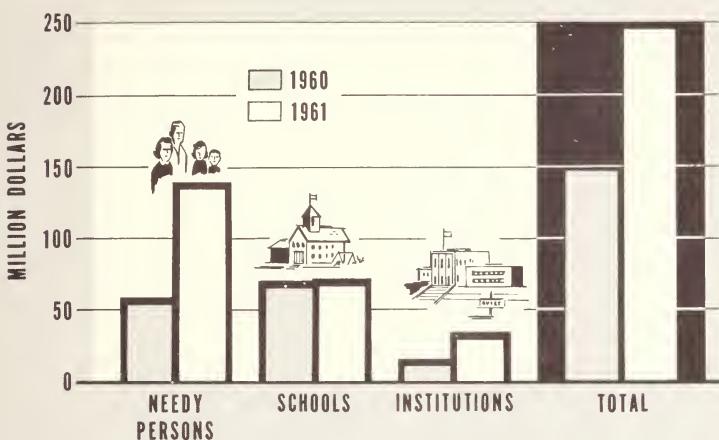
As the Food Stamp Program is extended to additional areas, direct distribution of foods to needy families will be discontinued in those areas. Greater expenditures in the Food Stamp Program in 1963 will be offset in large measure by reduced levels of direct distribution of food.

The role of the Food Stamp Program beyond 1963 depends primarily upon further evaluation of current operations and on general economic conditions. Even with relatively full employment, it is estimated that participation could increase to nearly 4.0 million persons within 5 years.

● **School Lunches.** The National School Lunch Program operates in schools having two-thirds of all elementary and secondary school enrollments. On a typical day in 1961, about 13.5 million or one-

Fig. 9

Value of commodities in the direct distribution program in 1960 and 1961



USDA's Direct Distribution Program in 1961 was up sharply from the 1960 level. The total value of commodities distributed was up from \$146 million to \$246 million. The biggest increase was in assistance to needy persons and institutions.

third of the Nation's school children enjoyed an inexpensive but nourishing meal under this program. Total expenditures by individuals and Government increased from \$1,080 million in fiscal year 1960 to \$1,133 million in fiscal year 1961 (fig. 9).

The program is financed primarily by State and local sources. In 1961, \$825 million came from State and local sources, including \$595 million in payments by children for lunches. The Federal contribution to the program in 1961 was \$308 million—\$94 million in cash, \$132 million in donated commodities, and \$82 million under the Special Milk Program.

This program increases consumption of farm commodities, especially livestock products and fruits and vegetables. Per-pupil consumption of fluid milk is about 75 percent greater in participating schools. Per-pupil use of fruits and vegetables is about twice as great. The program provides a lasting influence on national food habits by developing an appreciation of a good diet. It makes a lasting contribution to farm policy.

But this is not enough. The President, in his Agricultural Message to Congress in March 1961, asked that steps be taken to extend the

benefits of the School Lunch Program to more of the Nation's children, with priority attention to schools and children in economically depressed areas. Authority was provided in the 1961 Appropriation Act to test a new approach to the School Lunch Program to enable schools in especially needy areas to serve lunches.

Last year the Congress extended the Special Milk Program through the 1967 fiscal year on the Department's recommendation. Over 2 percent of fluid milk used for food is now under this program—in schools, nonprofit summer camps, orphanages, and other child-care institutions.

● **Direct Distribution.** Even in the most prosperous times, many low-income families have poor diets. The food that these people need and want but cannot afford represents an untapped market for farm products and a potential means of national improvement.

Today more than 7 million people receive some type of public assistance. For the most part, they are people who cannot take advantage of employment opportunities—the aged, the disabled, the dependent children. In addition, seasonal, temporary, or long-term unemployment reduces the food-buying ability of many workers.

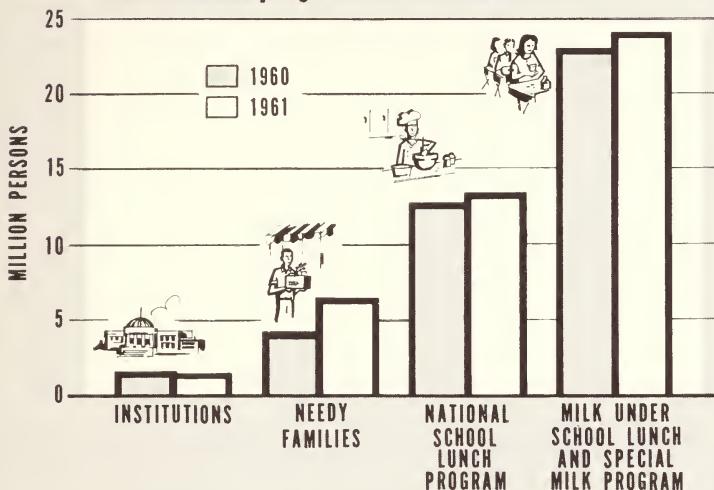
In fiscal year 1960, a peak of 4.3 million persons in needy families were receiving Department-donated foods distributed through State and local governmental facilities. The value of food donated to them was \$59 million. The food they received had a retail value of less than \$3.00 per person per month.

President Kennedy's first Executive Order, issued on January 21, 1961, directed the Department of Agriculture to step up its assistance to needy families. The program has been extended to additional areas of economic need, and more foods—particularly proteins such as peanut butter and canned meat—have been added.

A peak of 6.4 million persons received those foods in fiscal year 1961 (fig. 10). Some \$246 million worth of commodities were distributed—\$140 million to needy persons, \$72 million to schools, and \$34 million to institutions. The retail value per person each month is now about \$6.00, and the program operates in most of the economically depressed areas of the country. Some areas with many needy families do not participate, however, because the number of eligible families is too small to justify distribution cost. Continuation of this program is recommended.

To sum up, high-level food consumption in the United States depends basically on high-level employment. The food consumption of school children and of the aged, needy, and handicapped should be and is being augmented through established distribution programs. The level of these programs should not be reduced materially, but

Fig. 10 Number of persons participating in food distribution programs in 1960 and 1961



In 1961, food distribution programs were extended to cover additional needy families under Direct Distribution and additional pupils under the National School Lunch and Special Milk Programs. Distribution to needy families reached 6.4 million persons in 1961. School pupils participating included 13.5 million under the School Lunch Program and 24 million under the Special Milk and School Lunch Program jointly.

no major expansion is indicated except for the Food Stamp Program. The scope and form of the program may change, however, as experience is gained with the Food Stamp Plan.

Export Policies and Programs

- **Foreign Food Aid.** The foreign food aid program is designed to make maximum use of food for economic development abroad, to meet the most urgent needs of hungry people, and to develop markets for U.S. agricultural exports. It can and should be coordinated fully with domestic adjustment programs.

The foreign food aid program takes into account the ability and willingness of individual countries to use food assistance constructively, and the demands which such assistance makes on the U.S. economy. It is based upon the World Food Budget, which indicates the extent of the world food deficit—country by country and commodity by commodity.

Studies made by USDA and by FAO show that food aid by the United States at a rate of approximately \$2 billion per year can be

an effective tool of international economic development and of providing essential assistance in emergency cases. Food aid constitutes a major share of total foreign assistance. It is a program appreciated and understood by the recipients and by the American public.

Food assistance to foreign countries is being increased this fiscal year. It can and should be increased further. But because of problems referred to in Part III—the desire for self-sufficiency, a lack of handling facilities, and others—it cannot in the mid-1960's fully meet the needs of the world's hungry. However, within the scope of a large and expanding program, food aid can become increasingly effective in linking the tremendous productivity of American farmers to the needs of friendly people.

Wheat is an economical source of urgently needed proteins and calories. The United States has large stocks of wheat, as well as a great potential for production. Wheat exports under the aid program have been raised substantially and can be increased to well over 500 million bushels by 1967 compared with 374 million bushels in 1960. As existing stocks are drawn down under the Food and Agriculture Program of the 1960's, any foreseeable level of wheat needed to meet our Food for Peace objectives can be provided by U.S. farmers.

Nonfat dry milk effectively meets critical protein needs abroad and will continue to be programmed to the maximum extent that it is available. However, it is not an economical source of protein when commercial markets for the resulting butter are not available.

Soybeans and dry peas and beans are inexpensive high protein foods and will find expanding outlets in aid programs. Soybeans and dried peas can be produced with virtually the same resources that are used to grow corn and wheat, and in quantities that exceed all foreseeable need. Many nutritionists claim that high-quality protein from soybeans and peas can adequately substitute for a part of the animal protein requirements. We should try to make enough of these items available to meet the most critical protein needs abroad. Soybeans and cottonseed are also economical sources of vegetable oil—to supply a world market very short of fats and oils.

Most of our foreign food aid consists of sales for which payment is made in local currency under Title I of Public Law 480. Local currencies are used for a wide range of activities directly in the U.S. interest, but mostly they are used to provide loans to support economic development programs in the recipient countries. This type of program has been very successful and will be continued at a high level. An obstacle to expansion is that some of the people in greatest need do not have incomes high enough to buy this food even at the favorable terms under which it is offered.

Other programs, including sales for dollars under long-term credit are expected to expand sharply. As the economic development of individual foreign countries advances, food assistance in the form of long-term dollar credit under the provisions of Title IV, Public Law 480, can substitute for the Title I transactions just described. More food can also be used with great effectiveness in work projects, school lunches, and other direct distribution programs. In many cases, this will assure that food aid is directed to those that are most needy. These activities can be a very dramatic demonstration of our Food for Peace aims. The extent to which additional food can be used in school lunches for hungry children abroad is now the subject of special study in the Department of Agriculture.

It is also an appropriate time to begin to channel a small part of U.S. food aid through the United Nations. This would permit a small expansion of our total program and would also help increase the amount of economic assistance offered by other countries.

Most of the program for an expansion of foreign food aid can be accomplished by sustained cooperative effort within the framework of existing administrative discretion and budget authorizations. However, several additions to present law are needed. Sales for dollars under long-term credit authorized by Title IV of Public Law 480 cannot play their proper role in our overall trade program unless the Secretary is given greater flexibility under the law. This is particularly needed from the standpoint of repayment schedules, participation of other exporting countries, and authority to deal with non-Government institutions. Direct distribution programs can be expanded if commodities that are not yet owned by the Government could be included. Also, participation in multilateral food aid programs would be facilitated if it were specifically authorized as indicated in the following.

To make the Food for Peace program more effective, these changes are recommended:

- (1) An amendment of Title II of P.L. 480 to permit shipments of surplus commodities not in CCC inventory. This would broaden somewhat similar authority now available for animal fats and vegetable oils.
- (2) Provisions to broaden Title IV to include market development as a purpose and to make it possible for the private trade to participate in programs under this Title.
- (3) A new Title V to promote multilateral programs for food, and to authorize the President to negotiate agreements with international organizations and other intergovernmental groups on matters involving grants of agricultural commodities.

● **Trade Policy for Commercial Exports.** The ability of U.S. agriculture to produce a wide range of farm products at low cost is unquestioned. United States producers of wheat, feed grains, soybeans, tobacco, cotton, poultry meat, and many other agricultural products are efficient and flexible. They must remain so—to compete with minimum Government assistance in an increasingly competitive world.

Primarily through its agricultural attaché service, and in cooperation with farmer and trade groups, the Department is going forward with a vigorous program of export promotion. Activities under this program include participation in international trade fairs, cooperative market development projects with the private trade, expert consultation by commodity marketing specialists, credit assistance for commercial exports, widespread information programs, as well as trade liberalization efforts in foreign countries. Promotional programs for exports are now doubly important: To improve our balance of payments and thereby safeguard the U.S. dollar; and to improve farm incomes. These activities will be expanded and intensified.

The countries of the European Economic Community have now agreed on a common agricultural policy for certain of their major farm commodities. Some of these programs involve the use of variable import fees instead of fixed tariffs. These fees could be used to disrupt established trade with outside countries, since they are designed to offset any differences between world prices and prices within the Community.

Agricultural exports by the United States are four times the size of farm imports from these countries. This country must negotiate tariff and other trade concessions with those nations on a mutually profitable basis on as broad a group of farm products as possible. However, a new approach is required for those products—such as grains—for which European countries have determined to use variable import fees. To the extent that access for products thus protected cannot be achieved through traditional tariff negotiations, we will seek more direct access to markets through international commodity agreements and other arrangements to maintain a satisfactory share in those markets.

The President has asked for the additional authority necessary to achieve our goals for commercial exports of U.S. farm products as well as for all our exports.

PART V

Balanced Commodity Programs

THE DEMAND for farm products will not tax the productive capacity of American agriculture in the 1960's. Rapid economic growth, sustained high levels of employment, and expanded domestic and foreign distribution are essential—but they will not be sufficient to extend America's farmers in their ability to produce. Only in war, when demands were unprecedented and resources limited, has the productive capacity of American agriculture been tested.

Total projected demands for farm products fall far short of potential output at prices that will return good incomes to farm people. This is particularly true of the four commodities—wheat, feed grains, cotton, and milk—which contribute directly or indirectly to three-fourths of all farm income, and which account for most of the expenditures under Government farm programs.

Without the Emergency Feed Grain Program, the output of feed grains in 1961 would have been near 165 million tons—more than 20 million tons above actual output. Utilization, even at 1960 prices, would have been well below production. CCC stocks would have risen sharply for the 10th successive year. If a “no adjustment” policy had been followed, or if it were to be taken up again, the burden on storage facilities would be extreme. The burden on the budget would be intolerable.

Wheat and cotton production could also be expanded in the absence of measures to limit acreage—since production has been reduced under allotment programs for those commodities since 1953. There could be only two possible results. Either prices would be severely depressed, or carryovers and Government costs would rise abruptly from current high levels. Neither is a tolerable choice.

Simultaneous achievement of two primary objectives of public farm policy—higher farm incomes and lower budget expenditures—depends, therefore, on supply management programs for major farm commodities. Other high priority objectives—greater economic growth, better use of resources, and a positive foreign aid policy—can be furthered at the same time.

In the past decade, total farm income fell as price supports were reduced generally, and production restraints were lifted on feed grains. Much sharper income declines were avoided only because large stocks of farm commodities—those acquired, stored and shipped overseas by the Government—were isolated from the market.

The cost has been high. Excessive expenditures by CCC have resulted both from the cost of acquiring the commodities, and from charges—now at an annual rate of \$1 billion—for carrying them once they were acquired.

These costs can be reduced only if accumulation of new commodity stocks is ended and present excessive stocks liquidated.

Farm income can be maintained while a carefully scheduled but determined program of excess stock liquidation is carried out, only if production is limited for several years to less than the market demands, including the requirements of special Government programs.

Programs are set forth here for feed grains, wheat, and dairy products which would make it possible to reduce program expenditures, to liquidate excess carryovers, and to maintain or increase income. They have been discussed with farmer advisory committees, with farm organization leaders, and with Members of Congress. They are modeled on programs which have successfully adjusted production to demand in cotton, tobacco and rice, and are built also on current wheat and feed grain programs. They represent real program prospects—not unrealistic hopes.

Feed grains, wheat, soybeans, and cotton cover nearly three-fourths of the cultivated land from which crops are harvested. These are the great interdependent crops—where reduction in the acreage and output of one crop has shown up as excessive production and excessive carryovers or low prices for another commodity.

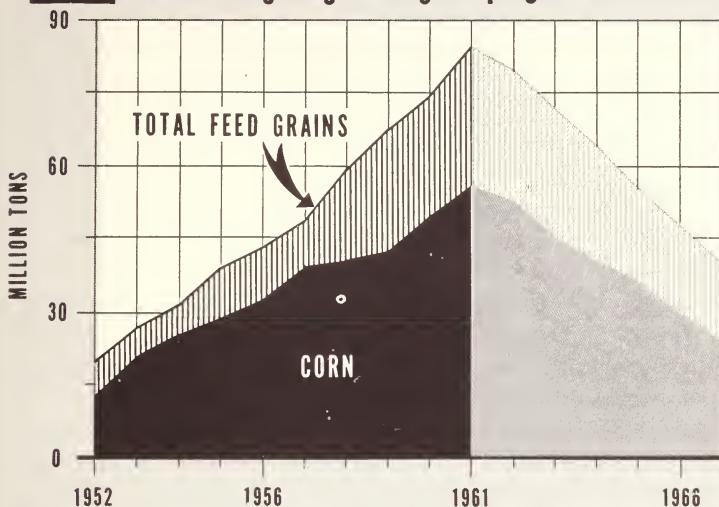
That interdependence was not recognized in the programs of the 1950's. Cotton and wheat acreages were reduced after 1953, but feed grain acreages were increased on cotton and wheat farms. Corn acreages were reduced under acreage allotment programs, while wheat acreages were increased under a provision of the wheat program.

This excess farm production capacity—though general—is not unmanageable. In the 1950's, this excess capacity took the form mainly of surplus wheat and feed grain production and stocks. Thus it remained for the emergency programs enacted in 1961 to begin to deal realistically with the problem of excess capacity. The 1961 emergency feed grain program, together with other effective commodity programs, held *total* farm production below potential output last year. It was designed for that purpose—not to improve one commodity situation at the expense of another.

The gains made in 1961 must be continued. We hope they will be continued in 1962 under the temporary legislation now in effect. However, we cannot be certain of how successful these programs will be even in 1962, because of their dependence on voluntary participation. And for the years after 1962, new programs are imperative.

Fig. 11

Feed grain and corn carryover projected under a long-range feed grain program



Feed grain carryovers rose every year for nine straight years during the 1950's. From 1952 to 1961, the total feed grain carryover rose from 20 million tons to nearly 85 million tons. The projection shown above illustrates how the carryover might be reduced over several years.

The Feed Grain Program

The need for a new, long-range feed grain program in the 1960's is based on the experience of the last decade.

For nine consecutive years in the 1950's, feed grain carryover rose (see fig. 11). Carrying charges rose too, until the costs of owning and carrying the corn and grain sorghum loans and inventories reached an annual rate of about \$500 million in the 1961 fiscal year. The programs responsible for those results guaranteed price support to producers but offered no effective means of adjusting output.

This trend has been reversed as a result of the 1961 feed grain program. The 1961 crop of corn and sorghum grain was some 800 million bushels smaller than it would have been without the program. The feed grain carryover—which would have risen sharply except for the 1961 program—will drop for the first time in a decade. This was achieved despite record yields, which were due about equally to normal technical improvements, to better than average growing weather, and to measures taken by farmers as a result of the feed grain program itself.

The successful program of 1961 was based on incentive payments and price supports to producers who voluntarily diverted feed grain acreage to conservation uses.

A program similar to 1961 remains in operation only for the year 1962, and it includes barley as well as corn and grain sorghum. Without new legislation in 1962, the program in effect in the late 1950's would be in effect for 1963 crops. That program has failed—and would fail again. Carryovers would increase rapidly; within 3 years feed grain stocks would be the equivalent of 4 billion bushels of corn.

Long-range policies and programs are needed—programs which will effectively use our enormous capacity to produce feed grains and at the same time, reduce carryovers and maintain producer incomes.

The voluntary program has served and is serving a useful purpose. But voluntary programs can reduce production only so far as funds are available to provide incentives for participation. A long-range but voluntary program would become increasingly expensive.

If Government costs are to be reduced and farm income improved while feed grain stocks are reduced, other means must be devised. The approach proposed for feed grains in the 1960's is one that has already been used for many years in cotton, tobacco, wheat, and rice. It is to let producers choose periodically whether they want price support with the necessary production limitations, or whether they want to produce without regard to restrictions on production and to accept the farm prices which follow from such actions.

Both the rights of producers to choose farm programs democratically, and the duty of the Government to spend its resources wisely are protected under such programs.

The elements of a feed grain program in which all growers participate subject to producer approval in a referendum are listed below:

- (1) Establish an acreage allotment program for four feed grains jointly. Corn, grain sorghum, barley, and oats would be interchangeable on the allotment acreage. The program would be applicable to all producers once it was approved by a two-thirds vote in a grower referendum. At the discretion of the Secretary, rye could be designated as a feed grain, and wheat could be considered as a feed grain and counted against the feed grain allotment.
- (2) Each year the national requirements for feed grains would be estimated, and when CCC stocks were too large, a portion of the requirements would be met from CCC stocks. A national acreage allotment large enough to provide the grain needed from current production would be established, and would be

apportioned among farms on the basis of acreage history, with adjustments for unusual farm conditions.

- (3) Corn prices would be supported at a level between 70 and 90 percent of parity when the marketing quota program was in effect. Other feed grain price supports would be related to corn. If the program were not approved in the referendum in any year, there would be no price support on feed grains for that year.
- (4) Payments would be authorized for acreages taken out of grains. This would help to support farm income while reducing overall production and would encourage improved long-term uses of diverted acres. The land-use program described in Part I would complement the feed grain program, attracting lands into new uses and reducing the acreages which would need to be diverted under the feed grain program. The Secretary would be authorized to permit limited uses of lands diverted under the feed grain program for special crops and possibly for grazing.
- (5) Acreages diverted from production of feed grains would be put to conserving uses, in addition to acreages normally in conservation uses. Failure to do so would result in a denial of price support and conservation payments. In addition, a penalty would be assessed if the acreage diverted from feed grains was used for the production of a surplus commodity. This would mean that the acreages of other major crops would not be increased to any great extent.
- (6) Producers with less than 25 acres of feed grain in the base years would have the option of being exempt from the program provisions or being subject to the program. Those who chose to be exempt would not be eligible for price support and diversion payments and could not vote in the referendum.

This program is designed to reduce CCC stocks to desirable levels—to between 30 and 50 million tons of feed grain—in about 5 years (table 3). Harvested acreages of the four major feed grains would probably be some 20 to 25 percent below 1959-60 acreages.

Budget expenditures would also be reduced, as CCC stocks were sold and as carrying charges declined. CCC expenditures for price support—a large part under the feed grain program—would be far below what they would be under a return to the pre-1961 programs (see fig. 14).

After stocks have been reduced to reasonable levels—say by 1967—feed grain acreage and production could be increased. And to the

Table 3. Feed Grains: An adjustment program compared with pre-1961 programs

	Crop year					
	1961 Million tons	1962 Million tons	1963 Million tons	1964 Million tons	1965 Million tons	1966 Million tons
New program:						
Beginning carryover-----	84.4	80	72	64	56	48
Production-----	141.0	138	137	139	141	143
Pre-1961 program:						
Beginning carryover-----	84.4	80	72	85	100	115
Production-----	141.0	138	163	167	170	173

extent that lands diverted from grain could be grazed or otherwise used under long-term resource development programs, diversion payments could be reduced without damage to farm income.

Wheat Program

Wheat problems parallel those of feed grains. Large inventories and high program costs were inherited from the 1950's. Those programs—which have already failed—will become effective again for the 1963 crop unless changes are made in 1962. Under the old programs, a gradual increase in wheat stocks would be virtually assured, even with continued record levels of overseas shipments (table 4).

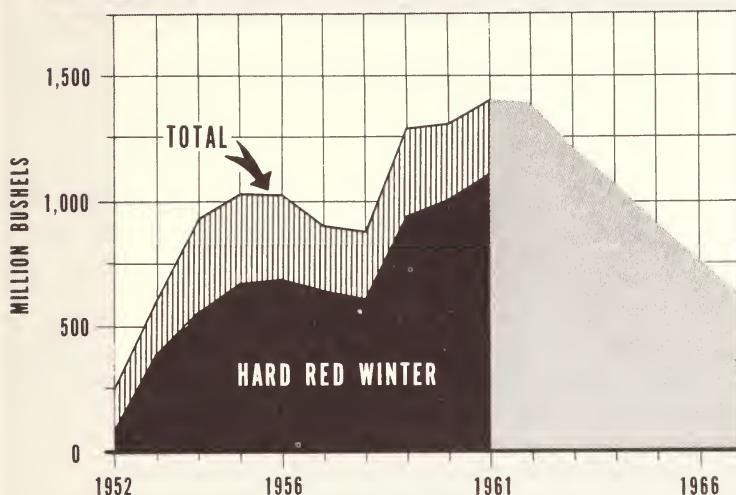
Table 4. Wheat: An adjustment program compared with pre-1961 programs

	Crop year					
	1961	1962	1963	1964	1965	1966
New program:						
Beginning carryover ¹ -----	1,411	1,365	1,215	1,065	915	765
Production-----	1,235	1,100	1,100	1,125	1,150	1,175
Pre-1961 program:						
Beginning carryover ¹ -----	1,411	1,365	1,215	1,400	1,610	1,845
Production-----	1,235	1,100	1,325	1,350	1,375	1,400

¹ An accelerated export program is assumed under the proposed program; under the old program special exports, while very large, would be geared to the 1960 level. If the higher level of P.L. 480 exports were used with the old program, carryover would rise less rapidly, but it would continue to rise.

Fig. 12

Wheat carryover projected under a long-range wheat program



Except for 2 years, the wheat carryover rose regularly since 1952 under the programs of the 1950's. From 256 million bushels in 1952, the carryover rose to 1.4 billion bushels in 1961. The projection shown above illustrates how the carryover might be reduced over several years.

The 1962 wheat program is expected to arrest the growth of wheat stocks and to improve farm income, but for one year only. Legislation is needed in 1962 to assure that the start made toward both higher incomes and reduced carryovers is extended. Extension of the emergency wheat program, however, is not adequate for the longer term.

The 10 percent reduction in all acreage allotments which producers approved in the 1962 program is large enough only to avoid further addition to carryovers. The voluntary acreage diversion provisions for the 1962 crop will probably bring a substantial reduction in carryover although this cannot be estimated accurately until late spring this year. But the effects of a voluntary program for wheat—as in the case of feed grains—are most uncertain. A reduction in wheat acreage of approximately 20 percent from the 1961 level needs to be assured for perhaps 4 or 5 years if stocks are to be reduced (fig. 12). A voluntary program could achieve those results only at a high cost if at all. It can best be accomplished by a program in which all producers participate and in which all their acreages are reduced proportionately.

Such reductions in acreage and in production will not reduce the supply of any class or quality of wheat by enough to cause short supplies for either domestic or commercial export markets. Classes and qualities of wheat do differ from each other—but they also substitute for each other. All classes of wheat except durum are either actually or potentially in oversupply. None can be regarded as unrelated to the overall problem of excess wheat supplies and excess productive capacity.

While stocks are reduced, other important objectives can be met at the same time—especially to provide growers more flexibility in the operation of their farms, and to price some part of our agricultural exports more competitively with little or no direct Government subsidy.

- (1) The minimum national acreage allotment would be eliminated. This minimum—established by law at 55 million acres in the late 1930's—has made it impossible to keep production in line with utilization. Under the long-range program, the marketing quota and the national acreage allotment would be defined each year in terms of actual requirements, allowing also for carryover reduction so long as CCC stocks are excessive.
- (2) Acreage allotments would be apportioned to all farms with a history of wheat production—including small growers now exempt. Farms with a base acreage (generally based on 1959–60 acreages) smaller than 15 acres could choose either to be subject to their farm acreage allotment, to be eligible for price support and diversion payments, and to vote in the referendum—or to be exempt. Exempted producers, however, could not expand their wheat acreage above their base acreage without being subject to penalty.
- (3) The wheat program would continue to be subject to approval by a two-thirds vote in a grower referendum. All growers would be eligible to vote who were subject to the program provisions. If the program were not approved in the referendum, there would be no production restrictions—and no price support.
- (4) Land diverted from wheat—the difference in acres between the 55 million acre allotment and the allotment for any future year—would be devoted to soil conservation practices. Diversion payments would be provided. These lands would be partly absorbed into long-term resource development programs in the 1960's—particularly into grasslands. Certain limited uses could be authorized by the Secretary on these lands.

(5) An improved method of price support is proposed. A national wheat marketing allocation would be established equal to the amount of wheat needed for domestic food use in the United States, plus some portion of wheat and flour exports. Each farm would share in this marketing allocation in proportion to wheat production on the farm acreage allotment. Wheat in the amount of the marketing allocation would be eligible for price support in about the present range.

Wheat produced on the acreage allotment in excess of the marketing allocation or wheat produced for feed on the feed grain allotment could be sold without penalty and would qualify for support price only at a substantially lower level—a support related to the feed value of wheat and to world prices. This would place effective limits on the price support obligations of the Government, yet would also continue to support farm incomes.

This proposed price and income support method has many advantages compared with the current method. There is, first of all, a need to establish a key principle: That U.S. farm products for export be priced more competitively in world markets. This could be done in the wheat program either through establishment of a marketing allocation which covered only part of export sales, while the remainder moved at competitive prices virtually without subsidy, or by including all the expected production from the acreage allotment under the marketing allocation, but supporting the price of the export share at a lower level than for domestic food wheat.

Other advantages are that growers' incentives to expand production on the acreage allotment would be reduced slightly, and it would be possible to authorize wheat production under the feed grain program as a substitute for other grains when part of the wheat crop was priced at its value as a feed.

Results of the proposed wheat program would be a substantial reduction in carryover, protection of grower incomes, and reduction of program costs.

When carryover stocks reach a normal level after 3 to 5 years, marketings and possibly acreages could be increased. When the lands no longer required for grains are turned to other uses, additional products and income will be generated—without new additions to Government stocks.

Dairy Program

Today's dairy market is in a tightening squeeze—between rising production and declining consumption. At present, the Government is bearing the brunt of that squeeze.

The law provides for mandatory support of milk prices at levels between 75 and 90 percent of parity, as the Secretary of Agriculture determines necessary in order to insure an adequate supply. Because fluid milk is highly perishable, prices are supported through the purchase of manufactured dairy products—butter, cheddar cheese, and nonfat dry milk.

Since 1953, the Government has been buying these products at a rapid rate. Purchases have exceeded \$200 million every year and in some years have exceeded \$500 million. The rate of acquisition is going up rapidly.

The sharp increase in CCC purchases in 1961 was due to an unexpected decline in milk consumption, especially of milk fat. Production increased about 1½ percent—somewhat less than population—so that per capita supplies actually declined.

CCC expenditures in the current fiscal year will total approximately \$500 million and at present price support levels would mount to more than \$600 million next year, in addition to about \$100 million each year for the special children's milk program. These heavy CCC costs subject the dairy price support program to serious jeopardy. Beneficial use can be made, in domestic welfare and Food for Peace programs, of large quantities of nonfat dry milk and cheese. However, it is impossible to find acceptable outlets for the large volume of butter that is being acquired—about 400 million pounds this year.

In the current supply situation, it will be necessary under the present law to reduce dairy price supports to 75 percent of parity. However, dairy program costs—approximately \$440 million for the next year—would continue to be excessive. *And this would reduce farm income substantially.*

A satisfactory long-range dairy program must prevent this reduction in milk prices and provide for progressive improvement in dairy farm income, while reducing program costs.

There is presently no authority for such a program. In order to achieve both of these objectives, new legislation is essential to authorize a program through which supplies of milk can be kept in reasonable balance with demand. Such a program would provide the following:

- (1) Authority to support prices of manufacturing milk at the maximum level up to 90 percent of parity consistent with current marketing conditions, when producer allotments are in effect;
- (2) Limit government expenditures to the acquisition cost of those quantities of dairy products which can be utilized in the national interest for domestic welfare and foreign assistance programs, up to \$300 million per year (approximately the average of expenditures annually for the past eight years) plus costs in-

curred under the special children's milk and school lunch programs, whether or not marketing allotments are in effect. If marketing allotments are in effect, the amount of surplus marketing fees collected from producers who exceed their allotments would be available in addition to Government funds.

- (3) Let producers choose in a referendum between price supports at a higher level with marketing allotments—or supports at such lower level as can be maintained without management of supplies within the limit on Government expenditures.
- (4) Base the individual producer's allotment on his marketings of milk in 1961. Marketing allotments for each year would be based on the producer's proportionate share of total commercial demand and purchases for Government programs in the national interest. Handlers would be free to buy all of the milk offered by producers, but would deduct and remit to CCC surplus marketing fees on milk marketed by producers in excess of their allotments.
- (5) CCC would support milk prices by buying dairy products, just as under the present program.
- (6) The size of the surplus marketing fee would be adjusted periodically during the marketing year as necessary in order to defray, together with Federal funds, the costs of acquiring surplus dairy products.
- (7) Producers could transfer their marketing bases to other producers, thus retaining flexibility in their farm operations.

In addition to the long-range program, producer marketing allotment authority would be proposed for Federal milk marketing orders. These orders operate in 81 markets and enable producers and handlers, with the approval of the Secretary of Agriculture, to establish minimum prices based on current supply and demand. Producer allotments, when used in milk marketing orders, would be in addition to the allotments in the long-range program, and would seek added adjustment in markets where surpluses are especially large.

Cotton Program

Revision of the cotton program is not so urgent as revision of some other commodity programs. However, changes in cotton price support legislation are needed to reduce Government costs, to enable cotton to compete more effectively with synthetic fibers in the domestic market, and to make American cotton more competitive abroad.

Under existing law, progress toward these goals could be made by reducing the support price. But because of the adverse effect such

a reduction would have on producer income, it was decided to maintain the 1961 support rate for the 1962 crop in order that the Congress might first have an opportunity to enact legislation that will permit us to move toward these goals with better protection for producer interests.

The changes proposed are modest. They build on the current program—yet contribute to the achievement of all these objectives. The incomes of cotton producers can be maintained at satisfactory levels while these other improvements in the position of cotton are made.

The supply situation in cotton is fairly satisfactory. On August 1 last year the cotton carryover was 7.2 million bales—the smallest since 1953. The carryover will increase somewhat by next August, however.

If most cotton producers are to receive a fair return for their production, price supports must be near the present level. But if U.S. cotton is to move readily into world trade, the export price must be substantially lower. This has been achieved through use of an export subsidy—now \$42.50 for each bale exported. Government expenditures in the cotton program stem primarily from that export subsidy and from shipments of cotton under Public Law 480.

The export subsidy helps to create a difficult competitive situation for American textile manufacturers. Foreign mills buy U.S. cotton more cheaply than U.S. manufacturers can buy it. Cotton goods manufactured abroad, partly from low-priced U.S. cotton, are sent back to the United States to compete with textile products made from higher-priced cotton.

The change proposed in the cotton program would permit some progress toward solution of these problems, yet preserve most of the basic provisions of the present cotton program. These changes would authorize the Secretary to permit growers to produce cotton on acreage in excess of their basic acreage allotments, but not more than 30 percent above such acreage allotments, to be marketed so as to net the growers approximately the world market price for the cotton grown on the excess acres.

Dramatic and early results could not be expected from the above program. Nevertheless, it would permit a start toward the reduction of Government expenditures, toward the expansion of the use of cotton, and toward less restrictive trade policies. The mechanics of this program would be such that future progress could be made toward these objectives gradually and as rapidly as might be compatible with protecting producer income.

Marketing Orders

Marketing orders and agreements have a growing role in American agriculture. They provide producers a choice between order and chaos in farm marketings, and an opportunity to manage their industry cooperatively as successfully as they manage their own operations individually.

Federal orders have been used for over 20 years in marketing fluid milk and for certain fruits and vegetables marketed from small producing areas. These orders have maintained orderly marketing and stable producer prices—by the use of administered prices in milk marketing orders and by the use of quantity limitations on handlers in the orders affecting other commodities. Enabling authority for marketing orders is in legislation enacted in 1937 and was augmented by the Agricultural Act of 1961.

A number of commodity groups have been exploring the opportunities for industry "self-help" under these provisions, which are intended to give the farmer some of the marketing advantages long enjoyed by industry.

In essence, a marketing order is a legal document establishing regulations and rules by which an agricultural industry can, through self-regulation, stabilize marketing conditions. It defines the terms handler and producer, the commodity to be regulated, and the area to be covered. It generally provides for an advisory board to administer the order and recommend marketing policy to the Secretary. It lists the economic tools to be used and provides for financing arrangements.

Programs are initiated in this way: Producers and handlers submit a request to the Secretary of Agriculture, who initiates Department studies to determine that the proposed step is practical and of benefit both to the industry and to the consumer. Formal hearings may then be initiated so that all sides can submit arguments and evidence. Following these hearings, an order may be issued only after it has been approved in referendum.

The Department's major purpose is to be of service—to make available its facilities, resources, and know-how—to help interested industry groups in developing effective and workable solutions. The Department is not offering marketing orders as a Government control program for unwilling industries. Unless the industry initiates and approves a marketing order, none will be established.

Under existing authority, marketing orders can regulate only the handlers of agricultural commodities. No authority exists for managing supplies at the farm level. In most commodities such

authority would create an opportunity for even greater gains to producers. The diversion of excess supplies to secondary markets, once these supplies have been produced, tends to dilute returns to producers under present order programs. The law should, therefore, be amended to authorize individual producer allotments or marketing quotas in marketing orders for turkeys.

Marketing orders might also be made available to additional commodity groups that are now specifically excluded. Chickens, chicken eggs, and honey are products for which marketing orders might be considered. These and other commodities could be added to present authority as recommendations are made by advisory committees established under the Agricultural Act of 1961.

Commodity Reserves for Stabilization and Defense

A program to determine and maintain stocks of farm commodities in the quantities and locations needed is an integral part of a supply management program. The objectives of the commodity reserve program are: (1) to protect against fluctuations in supply arising from weather and production conditions; (2) to protect against unusual and unexpected swings in demand as a result of international tension, famine, or disaster; and (3) provide for defense needs. Proper management of these stocks requires that the Department have additional flexibility in acquiring and handling farm commodities, since reserve needs vary from time to time.

The Department proposes to maintain a continuous review of production and demand conditions and to determine periodically desirable public reserve levels for the major commodities. These would enter into acreage allotment considerations and would be a guide to safe limits to reductions in public stocks, as well as indicating commodities for which carryovers should be increased. The feed grain and wheat program outlined earlier would bring carryovers approximately to needed reserve levels by 1967. Preliminary studies indicate that current stocks are now far above reserve needs for these commodities and for dairy products.

PART VI

Farm Income and Budget Expenditures

Two primary objectives of the Food and Agriculture Program for the 1960's are to improve the incomes of farm and rural people and to reduce the cost of programs to the Government. These objectives can be achieved while we maintain fair and reasonable prices to consumers.

Farm Family Incomes

Average per capita income of farm people is low—\$965 compared with \$2,216 for nonfarm people in 1959. These averages obscure many details. It is clear, however, that many farm people earn incomes lower than earned in comparable nonfarm jobs. This income gap must be narrowed—in the interest of farm people and of the Nation.

The income position of farmers can be seen more clearly if the statistics describing two groups of farms—and farmers—are separated. Income sources—and income problems—on nearly 1.5 million farms with sales of \$5,000 or more in 1959 are substantially different from those of farms with sales below \$5,000. There is an increasing number of the former group, while the latter—the lower income group—declined by about 30 percent between 1954 and 1959.

These larger commercial farms (\$5,000 annual sales and above) make 87 percent of all farm product sales, but they represent only 39 percent of all farms. Most income from farming is earned by these larger farms. Even though levels of living on some of these larger farms are relatively good, earnings are generally not comparable to nonfarm earnings.

The case for improved farm programs to support the incomes of farmers with annual sales of \$5,000 or more rests on two key points:

First, incomes on those farms would fall disastrously if farm programs were terminated.

Second, these farms are businesses with high investment and high risks. The 1959 level of income did not pay returns on both capital and labor comparable to returns in similar nonfarm businesses. Higher 1961 incomes have improved the picture—yet not to the point where incomes are satisfactory for such farms.

Commercial farms with sales below \$5,000 per year show a distinctly different income pattern. Income from farming is very low. Income from other sources is greater than from farming (table 5).

Table 5. Average net income of farm operator families, 1959

			Average net income of farm operator families				
Number of farms 1959			Percent of sales of farm products	Net cash farm income ¹	Off-farm income	Total cash income	Total income including nonmoney income from farm food and housing
	Total	Percent of total					
	Thousands	Percent	Percent	Dollars	Dollars	Dollars	Dollars
Commercial farms with sales:							
\$10,000 and over-----	795	21.5	71.9	6,636	1,978	8,614	9,960
\$5,000 to \$9,999-----	654	17.6	15.4	2,165	1,567	3,732	5,018
\$2,500 to \$4,999-----	618	16.7	7.4	1,288	2,077	3,365	4,572
\$50 to \$2,499-----	349	9.4	1.5	438	525	963	1,476
Other farms:							
Part time ² -----	888	23.9	2.7	176	4,283	4,459	4,890
Part retirement ³ -----	404	10.9	1.1	116	1,846	1,962	2,363
Farms with sales \$5,000 and over-----	1,449	39.1	87.3	4,618	1,826	6,444	7,763
Farms with sales of less than \$5,000-----	2,259	60.9	12.7	510	2,589	3,099	3,750
All farms-----	3,708	100.0	100.0				

¹ Cash receipts from farm marketing plus Government payments less production expenses.
² Value of sales less than \$2,500, operator under 65 years of age and either worked off farm 100 days or more or income of family from nonfarm sources greater than value of products sold.

³ Value of sales less than \$2,500, operator 65 years or older.

For a large part of this group the combined sources of income provide cash returns and levels of living well below adequate standards of health and well being.

All phases of the program proposed here for the 1960's offer improved income prospects for farm people:

- Domestic and foreign food programs, which provide a yearly outlet for nearly \$3 billion in farm products, clearly add to farm income, although they should not be justified on those grounds alone.
- Commodity programs for balance in production and use are the key to better incomes for the nearly 1.5 million commercial farms with sales (at 1959 prices) of \$5,000 or more. Higher prices for many crops in 1961 have already improved incomes on these farms. Further gains will be made as feed grain prices increase at least to present support levels in the coming years, and as improved prices for livestock follow smaller supplies and higher prices of feed grains.
- The program for conservation and resource use is primarily a program to divert farm land to productive but nonagricultural uses.
- The development program will act to stimulate enterprise, improve the productivity of resources and bring new and additional resources to rural areas and thereby contribute to better incomes and better lives for the people involved. These gains depend greatly on effective policies for national economic growth, and on the response of rural people to new opportunities.

It will be difficult both to maintain and improve upon the income gains made by commercial farmers in 1961, however, while reducing production and carryovers materially. All told, almost one-third of a crop of feed grains and half a crop of wheat will come out of CCC stocks by 1967—a significant subtraction from farm marketings. Combinations of farm prices and payments to growers who divert lands from crop production can be worked out, however, that will meet the objectives of a sustained improvement in the incomes of farm people, and a slow but steady closing of the gap between farm and nonfarm standards of living.

Public Expenditures for Farm Programs

The Department of Agriculture administers many programs essential to public welfare, in addition to those commonly known as "farm

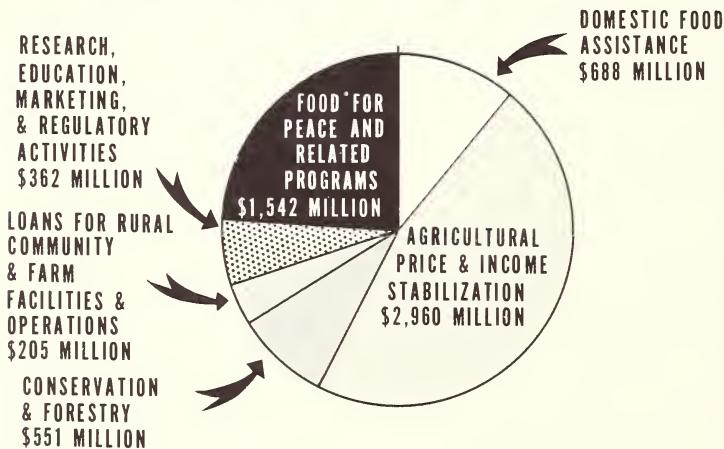
programs." These functions relate to research, education, and credit, to public health, to the preservation of resources, to assistance of needy persons, and to foreign aid.

For instance, the sale or donation of farm commodities for foreign currencies or their donation to needy people in friendly countries contributes substantially to our total national objectives. The Department makes substantial expenditures for the development and management of the national forests and provides facilities for 90 million visitors to those forests yearly.

Expenditures by the Department in the fiscal year 1962 are shown in figure 13—classified by major purposes.

The larger part of the budget of the Department in recent years has gone for farm price and income stabilization and support. In the late 1950's, these expenditures went primarily to acquire the commodities now in CCC stocks. As a result, the charges for simply carrying and

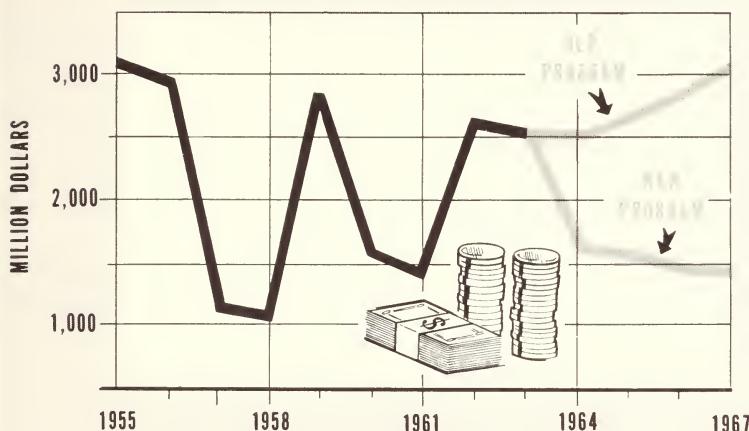
**Fig. 13 Classification of net USDA expenditures
by major purpose. Fiscal year 1962, estimated**



Not all USDA programs are price and income programs. The Department administers many others relating to research, education, credit, public health, conservation, assistance to the needy, and foreign aid. Nevertheless, expenditures for price and income support programs are too high, and it is expected that they can be reduced sharply by 1967 under a long-range program to reduce carryovers.

Fig. 14

CCC net expenditures for price support, with alternative projections for expenditures under pre-1961 or old programs, or under long-range programs



Price support expenditures are already lower in the 1962 fiscal year than they would have been if the pre-1961 programs had been continued. A return to the old programs now would mean higher and higher Government expenditures. Under the proposed long-range programs, expenditures for price support would decline.

managing the commodity inventories have increased greatly in the last few years. Each additional bushel of grain acquired by CCC under the old programs committed the Government to expenditures for carrying charges for many years. This period lengthened as inventories grew. The current annual bill for all these costs—for storage, handling, transportation, and interest—is about \$1 billion.

These expenditures for price and income support can and must be reduced. The key to reduced expenditures is reduced CCC stocks and reduced carrying charges. That task began with the 1961 emergency feed grain program. Further progress is expected under the 1962 feed grain and wheat programs.

Expenditures remain high—but they are already lower—in this fiscal year and next than they would have been if the old programs had been continued. Carrying charges on the CCC inventory could only go up under the pre-1961 programs. Now they will fall as stocks decline.

A return to old programs—pre-1961 programs—would mean a return to higher and higher CCC expenditures. CCC net expenditures for price support, which are only a part of total income stabilization expenditures, would again move toward \$3 billion in the 1967 fiscal year. This would be near the peak of the 1950's (fig. 14).

CCC expenditures for price support can be reduced to less than \$1.5 billion by 1967 IF a long-range program is adopted to reduce carryovers, particularly of grains and surplus production of dairy products. In this process, total price-support expenditures over the 4 years 1964-67 can be cut by over \$5 billion. This reduction would result in large measure from reduced outlays for commodities acquired by the CCC. Perhaps an even more important effect would be the avoidance of committing large Federal expenditures for carrying charges for an indeterminate number of years beyond 1967. Looking beyond this period, it is likely that still further reductions can be made consistent with farm incomes at good and stable levels.



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